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Non-Partisan League Experiments

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An Illuminating Study of Current Developments in North Dakota, Bringing out the Difficulties and Dangers of a State-Owned, Politician-Controlled Banking System

THE Non-Partisan League obtained complete political control of the state of North Dakota by sending a small army of carefully trained league organizers out into the state at the psychological time when farmers were chafing under partly real and partly imaginary grievances in connection with the handling of grain at terminal markets and other disputed economic questions affecting the prosperity of agriculture in our state. Abuses claimed to exist in the grading and dockage of grain had started a movement for a state-owned terminal elevator and grain hospital. Opinions differed as to whether this elevator and grain-clearing house would be of benefit to the farmers of the state and also whether it should be located within the state or at a terminal city such as Duluth or Superior, at the head of the Great Lakes, or Minneapolis, the most important terminal market of the northwest.

The people of the state, at a regular election, voted in favor of building and operating such a state-owned elevator, but when the subject came before the Legislature the whole proposition was completely squelched by methods in which very little diplomacy was shown, and thus the league organizers, given the opportunity, of which they promptly took advantage, to *promise* relief from all the grievances the farmers were complaining of, formulated their plans for a state-owned bank, along with other state-owned enterprises and projects of various kinds. Complete political control of the state was obtained by electing all state officers but one or two, a majority of both branches of the state Legislature and their candidates for members of the state Supreme Court.

When the Legislature convened laws were enacted creating the Bank of North Dakota, providing for the erection and operation of a state-owned mill and elevator, the organization of a state-owned home building association, state hail insurance, fire insurance covering public property, the bonding of public officials by the state and a workmen's compensation insurance department.

Laws were also enacted providing for the issuance and sale of two million dollars' worth of state bonds, the proceeds of the sale of which were to be the capital of the Bank of North Dakota; for the issuing and sale of ten million dollars' worth of state bonds, the proceeds of the sale of which were to be used to provide funds for making farm mortgage loans by the Bank of North Dakota; for the issuing and sale of five million dollars' worth of state bonds, the proceeds from the sale of which were to be used to build and operate a system of state-owned mills and elevators, and provision was made for funds to operate the State Home Building Association.

Laws were enacted creating an industrial commission, consisting of the Governor, the Commissioner of Agriculture and Labor and the Attorney General. The Governor and Commissioner of Agriculture and Labor were farmers on a small

A GREAT movement has been started by the American Bankers Association, as the result of a demand from educators all over the country for a better understanding of the business of banking by the people of the country, to carry a series of lectures on banking and economics into the public schools and other educational institutions. Had the importance of such a campaign been realized years ago and the plan that is now being inaugurated put into effect then the many millions of dollars which have been wasted in trying to put over the program of the Non-Partisan League and in combating the league might have been used for more useful purposes and such an organization as that of the league would not have been possible.

scale, well educated but without any business or financial experience or training that would give them the ability to handle propositions of the magnitude proposed. Mr. Langer, the Attorney General, like many other citizens of the state, was completely misled as to the real purposes of the league organization and when they became apparent promptly renounced many of the features of the league program, including its plan for the creation and operation of the Bank of North Dakota. He was as promptly viciously attacked by the league publications and denounced as a "traitor," so that the two remaining members of the commission were left in complete control of the entire program, with power vested in the Governor to veto anything that did not suit him personally, including *unrestricted* control of all public funds of the state, for the laws enacted at that time provided that all public funds, including the funds of all subdivisions of the state, counties, townships, school districts, municipalities and villages, and of all the state institutions, must be deposited in the Bank of North Dakota and be under, as stated before, the *unrestricted* control of the Industrial Commission.

Bank of North Dakota

When these laws took effect it became the duty of the State Treasurer and all county treasurers and treasurers of other subdivisions of the state and the treasurers of all of the state institutions, such as the State Penitentiary, normal schools, Agricultural College and other institutions of that character, to transfer all of their funds to the Bank of North Dakota.

The Bank of North Dakota law provided that public funds could be redeposited by the Bank of North Dakota in banks in counties in which the funds originated. On the face of it that had the appearance of a fair proposition, and were it not for the fact that in politics friends are usually rewarded and actual or supposed enemies punished by the political party in control, the plan might have been equitably worked out. The facts, however, are that the public funds were not equitably distributed. For instance, in the city of Fargo, at the time an investigation of the condition of the Bank of North Dakota was made by the Legislature, it was found that one institution in the city had on deposit from the Bank of North Dakota approximately $444,000, while the total amount on deposit with the eight other banks of the city was only approximately $109,000, and this discrimination in redepositing the funds was shown in all parts of the state. It is perhaps unnecessary to say that the bank having the deposit of $444,000 was one of the banks that failed.

Financial Difficulties

The handling of the public funds in this manner completely upset the entire financial structure of the state, and that when later on a law was passed by the people of the state under our Initiative and Referendum Act, initiating a law that curtailed the amount of funds that could be concentrated in the state-owned bank and making a redistribution of the funds necessary, a number of banks were forced to suspend payment on account of heavy withdrawals of funds made from them by the Bank of North Dakota, in order to meet the demands of the treasurers of the subdivisions of the state, who, under the provisions of the initiated law, preferred to transfer funds from the Bank of North Dakota to local banks. To complicate matters still further, the administration and the Bank of North Dakota had been unable to dispose of any of the $17,000,000 of state bonds which were authorized, the proceeds of which were to finance the state-owned industries and provide funds for the Bank of North Dakota to make real estate mortgage loans with, and the officials of the Bank of North Dakota had used from $6,000,000 to $7,000,000 of public funds, raised by taxation for other specific purposes, to make mortgage loans and to finance the industrial program inaugurated by the league. As a further complication, people outside of the state who had money invested in North Dakota in loans and on deposit in banks had steadily withdrawn their money from the state for reasons which would naturally follow the publicity given the kind of experimental financing that was going on.

I referred a moment ago to the fact that $2,000,000 worth of bonds were authorized by the Legislature to be known as the "Bonds of North Dakota, Bank Series," the proceeds of the sale of which were to provide the capital of the Bank of North Dakota. An example of the loose manner in which all of the laws were drawn in connection with the so-called industrial program is shown by the fact that all of the bonds authorized could have been legally sold as far below par as offers might have been made. The Bank of North Dakota law provided that in case the $2,000,000 worth of bonds referred to were not sold the bonds themselves could be turned over to the Bank of North Dakota and held by it as its capital investment. The laws enacted providing for the issuance of bonds at this time contained these words: "Nothing in this act, however, shall be construed to prevent the purchase of any said bonds with any funds in the Bank of North Dakota." After the bank was opened and deposits began to pour into its coffers from all parts of the state, its first important transaction was put over. The manager of the bank drew a cashier's check for $500,000, carried the same over to the State Treasurer's office and asked for $500,000 of the state bonds of the Bank of North Dakota series. The bonds were delivered to him and carried back to the bank. The next day the State Treasurer turned over to the manager of the bank a check for $500,000 as a payment of the first installment of the capital of the bank provided for by law, from the proceeds of the sale of a part of that particular issue of state bonds. This transaction was repeated until the full $2,000,000 issue of bonds were sold to the bank and the proceeds of the sale of the bonds turned back to the bank as its capital. The bank had the bonds and the proceeds of the sale of the bonds, and from that time on collected the interest due and payable on the bonds, which the state has paid and charged up as a part of the expense of operating the state, paid annually by the taxpayers.

The Bank of North Dakota law contained the following paragraphs of interest to bankers:

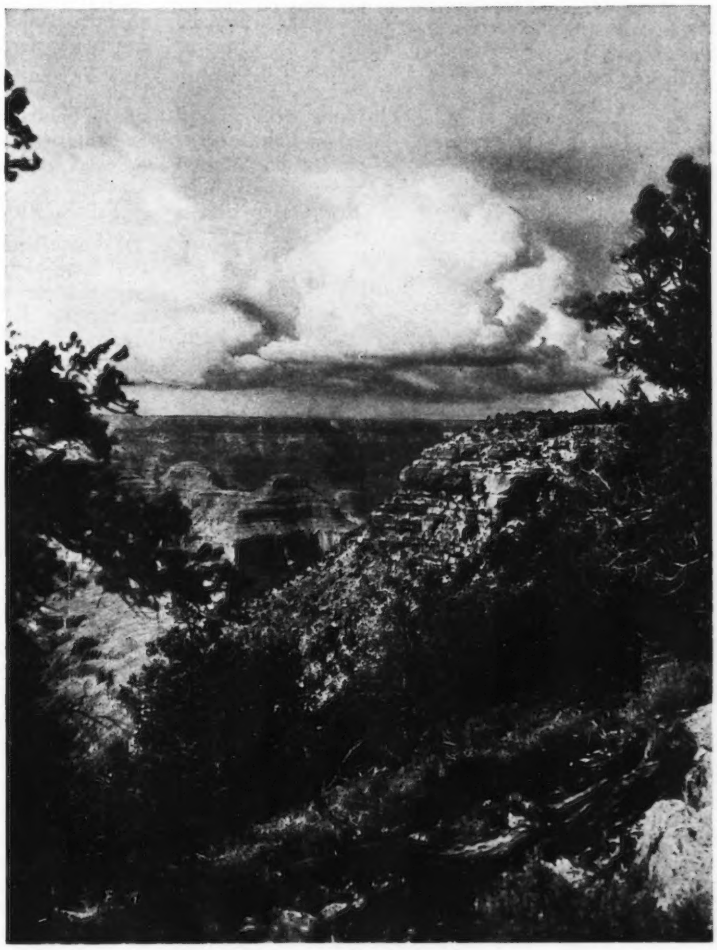
"Whenever any of the public funds hereinbefore designated shall be deposited in the Bank of North Dakota, as hereinbefore provided, the official having control thereof, and the sureties on the bond of every such official, shall be exempt from all liability by reason of loss of any such deposited funds while so deposited.

"The Bank of North Dakota may receive deposits from any source, including the United States Government and any foreign or domestic individual, corporation, association, municipality, bank or government. Funds may be deposited to the credit of the Bank of North Dakota in any bank or agency approved by the Industrial Commission.

"All deposits in the Bank of North Dakota are hereby guaranteed by the state. Such deposits shall be exempt from state, county and municipal taxes of any and all kinds.

"Funds deposited by state banks in the Bank of North Dakota shall be deemed 'available funds' within the meaning of that term as used in Section 5170 of the Compiled Laws of 1913. For banks that make the Bank of North Dakota a reserve depositary, it may perform the functions and render the services of a clearing house, including all facilities for providing domestic and foreign exchange, and may rediscount paper on such terms as the Industrial Commission shall provide.

"All checks and other instruments and items of exchange payable on demand sent by the Bank of North Dakota to any state bank or banking association in North Dakota for collection shall be by such state bank or banking association remitted for at par to the Bank of North Dakota. Any person or corporation who shall violate any of the provisions of this section shall be guilty of a misdemeanor.



Grand Canyon, One of the Points of Interest on the Way to the Los Angeles Convention

"The Bank of North Dakota may deposit funds in any bank or banking association within or without the state upon such terms and conditions as the Industrial Commission shall determine."

I refer to these paragraphs of the law because they are interesting to you, as bankers, and because they indicate very clearly that the Bank of North Dakota was not intended to be a helpful agency to the banking structure of the state, but a competitor of established banks with many privileges not enjoyed by other banks of the state. It was evident from the start that unless the banks of the state patronized and assisted in building up the Non-Partisan League's financial structure they would be considered enemies of the so-called farmers' program and treated accordingly. I, of course, do not know whether leading articles printed in the so-called Non-Partisan League papers of the state were dictated by league officials or not. I recall one headline which read, "Seven Hundred Banks of the State Are Insolvent." I have with me a circular letter sent out by Mr. Lemke, the present Attorney General of the state, containing information for treasurers of county, school district, township and other subdivisions of the state, giving them instructions as to the handling of public funds, which contains these words: "The only safe place to deposit public funds is in the Bank of North Dakota." It has been charged that a systematic effort to put privately owned banks out of business, in order that the Bank of North Dakota, with branches in each county, could do the banking business of the state, was a part of the plan of the Non-Partisan League.

The bankers of our state are not antagonistic to such an institution if organized and operated along

constructive lines—lines that would assist in bringing money into the state in place of driving it out and that would strengthen the banking and financial structure of the state instead of weakening and endangering it.

Diversion of Public Funds

Approximately $3,000,000 worth of mortgage loans were made by the Bank of North Dakota with public funds on deposit with the bank, funds that were raised by taxation for specific purposes, such as the maintenance of public schools, the salaries and expenses of county officials, the maintenance of the courts and other ordinary and usual purposes for which taxes are levied. In nearly every case loans made by the bank were to replace existing loans which had been called in by the owners of the loans on account of the unusual laws that were enacted by the Non-Partisan League Legislature. The diverting of public funds in this manner naturally had the effect of weakening the entire financial structure of the state.

The claim was publicly made by the management of the Bank of North Dakota that funds deposited in a bank, whether it be the Bank of North Dakota or a privately owned bank, lost their identity in the general deposits of the bank. It is true that funds deposited in privately owned banks do lose their identity. Such deposits are deposits of the idle funds of the community in which the bank is located, and hundreds of years of experience have proven that at least 80 per cent. of such funds will remain idle permanently and that it is perfectly safe for the ordinary country bank to use 80 per cent. of its deposits in assisting to finance the industries and business enterprises of the community. This could not be true of deposits in the Bank of North Dakota for the reason that its deposits are deposits of public funds, raised by taxation for specific purposes, and that practically all of such funds will be needed during the year for the purposes for which taxes creating the funds were levied. To a practical banker it would be quite natural to consider that the diversion of any such funds for such purposes as long-time mortgage loans, the building of state-owned mills and elevators or promoting and operating other public enterprises and projects might consistently be taken to be a diversion of trust funds.

I referred awhile ago to the laws enacted providing for the issuance and sale of state bonds, $2,000,000 to provide for the capital of the Bank of North Dakota, $10,000,000 to provide for funds to be used in making farm mortgage loans and $5,000,000 worth to provide funds to build and operate a system of state-owned mills and elevators. These bonds were offered in the usual way and have not as yet been sold except in limited amounts. The charge has been made all over the country that a conspiracy exists to prevent the sale of these bonds; that the activities in opposition to their sale come from Wall Street, from "big business," "big banker gamblers" and other mythical and ghostly sources. The bonds could not be sold for the reason that provision for the safety of public funds in the laws enacted by the league Legislature were not ample and satisfactory to bond buyers. For instance, the laws enacted made it possible to use public funds for almost any purpose. That part of the laws to which I refer reads as follows: "The Bank of North Dakota may transfer funds to other departments, institutions, utilities, industries, enterprises or business projects of the state, *which shall be returned with interest to the bank.* It may make loans to counties, cities or political subdivisions of the state, or to state or national banks, on such terms and under such rules and regulations as the Industrial Commission may determine."

Non-Partisan League

I do not believe that the officials of our present administration are dishonest and I know that at least 90 per cent. or more of the members of the Non-Partisan League in North Dakota are honest, conscientious farmers, willing and anxious to try any sort of an experiment that will promise them relief from any or all the things that now handicap the success of agriculture; but with such a law as that on the statute books of the state, what would happen if dishonest officials should in the course of time obtain control of the state? Reputable bond buyers purchasing bonds for resale to their customers and clients have simply declined to buy for investment or resale bonds issued under laws containing unusual, unbusinesslike and loosely drawn features of this character. I know from my own personal knowledge that the banks of North Dakota are not connected with any conspiracy to prevent the sale of these state bonds. They will welcome the sale of the bonds through any agency if the safety of the funds realized is assured by law.

Public Funds Not Protected

I also referred to the fact that the laws providing for the sale of bonds contained a clause which reads as follows: "Nothing in this act, however, shall be construed to prevent the purchase of any said bonds with any funds in the Bank of North Dakota." Attorneys who have been asked to pass upon the laws of the state, by bond houses contemplating the purchase of all or a part of these bonds, have expressed the opinion that there is absolutely no protection for sinking funds that might accumulate in the Bank of North Dakota where such laws as these exist. An honest, conscientious effort was made by the bankers of our state, through their organization, the North Dakota Bankers Association, to assist the administration in disposing of the bonds and practically the only thing that prevented their sale at that time was the fact that the administration refused to amend the law to make it impossible for public funds raised by taxation for specific purposes to be diverted to other purposes than those for which the taxes were levied. The negotiations ended when this proposition was turned down by the state administration. In an official letter issued by the Governor the statement was made that the offer made by the bankers was dictated by Wall Street, and that while the present administration is in power that state would not be turned over to Wall Street.

Perhaps I have gone into details a great deal more than is necessary,

but now I am coming to an important part of this story. By what has happened in our state I want to try to have you realize your individual responsibility for the opinion of a large majority in many communities regarding the banking business. The most of our troubles in this world arise from the fact that we do not understand nor try to understand the "other fellow's" problem. And the "other fellow" does not try to understand ours. If the majority of the people in every community understood the importance of the business of banking as that business affects the life and prosperity of the entire community, the things that have happened in North Dakota that affect the business of banking would not have happened. Is it not largely the fault of the banker that a majority of the people in many of the communities in which banks are located do not understand the importance of the business of banking? A large number of people can see in the banker only the man that sits in a comfortable office and loans other people's money. They do not see the man that stands between the people in the community who have idle money and those who need financial assistance and tries to protect them both; they do not realize the responsibilities that rest upon this man's shoulders; in other words, they do not know what his problems are; they do not see the board of directors that he has to account to; they do not see the stockholders of the bank who must have a reasonable return for money invested. They do not appreciate the fact that many borrowers are perfectly good for any obligations they will make while they live, but that in case of sudden or unexpected death obligations of many of such borrowers are worthless.

A. B. A. Campaign

A great movement has been started by the American Bankers Association, as the result of a demand from educators all over the country for a better understanding of the business of banking by the people of the country, to carry a series of lectures on banking and economics into the public schools and other educational institutions. Had the importance of such a campaign been realized years ago and the plan that is now being inaugurated put into effect then, the many millions of dollars which have been wasted in trying to put over the program of the Non-Partisan League and in combating the league might have been used for more useful purposes and such an organization as that of the league would not have been possible. An organized effort to tear down and destroy business and financial laws and customs that have been proven by hundreds of years of experience to be absolutely essential in building up a safe and sound economic structure would not have been inaugurated.

Quick Recovery Possible

North Dakota can recover quickly from the financial disturbance it has had. It is fortunate for the whole United States that North Dakota was selected as the state in which the plans of the Non-Partisan League would be tried out. We have the largest area in one body of good, reliable farming land in the United States. We raise the best wheat and other grains raised in the world. Millers must have our grain to mix with other wheat of lower grades in order to make high-grade flour. Our wheat always sells at a premium. Any territory located farther north than North Dakota is subject to early frosts and serious damage to maturing crops. Wheat raised farther north cannot, therefore, be relied upon as can the grain grown in North Dakota. Our cattle and other live stock, on account of our healthful climate, cannot be surpassed in quality. We will be able to straighten out our difficulties and you will all be surprised how quickly we will recover from the distressing conditions that have existed in our state.

In closing I can only give you my personal opinion as to why the so-called Non-Partisan League program in North Dakota is a failure. Our bankers and business men would be glad to assist and cooperate with those features of the program that are practical and feasible and which would be of benefit to the people of the state, providing capable and experienced men were in charge of the enterprises favored by the league that *would* benefit the state. Such men have not been put in charge of the enterprises for the very simple reason that they cannot be obtained. The league program contemplated that the Industrial Commission should have general charge of the entire program and that each state-owned enterprise or project should be in the hands of a capable man. Men that are capable and competent to handle the tremendous enterprises contemplated by the league will not accept politically controlled positions—positions in which any change in the administration would mean a change in the employees of the administration. Is it good business, safe business, to take three men who had had no previous experiences whatever in handling big propositions, big manufacturing enterprises, such as milling, insurance, a workman's compensation organization, the building of homes in large numbers, and turn over to them the handling of $30,000,000 to $40,000,000 to experiment with in such enterprises? Would you expect good results from such an experiment? Would you consider it good business to concentrate all of the public funds of any state in a politically controlled institution and give three inexperienced men absolute and unrestricted control of such funds? It is these practical questions that the bankers of our state ask. If more attention had been paid to constructive ideas and less to destructive ones the league would have had the support of many practical business men and, on the same theory, many of the things proposed and attempted by the dreamers of the league would never have been attempted or proposed if the advice and counsel of practical, capable and competent business men had been sought by the leaders of the league. The prosperity of the banker in states such as ours depends entirely upon the prosperity of the farmer, and in no state in the Union have bankers been more liberal in granting credit and assistance to farming communities than in North Dakota, and for this reason in no state has the opportunity for young men to get started in life been greater than in North Dakota, up to the time the league inflicted itself upon us.

A Reply to an Adverse A. B. A. Report

By PROFESSOR IRVING FISHER
Yale University

In Which He Defends His Scheme for Stabilizing the Dollar

IN September, 1919, I had the honor of addressing the American Bankers Association on "Stabilizing the Dollar," setting forth the plan for that purpose which has since been more fully described in my book with that title. After my address, and at my request, the question was referred to a standing committee. This committee was, however, very reluctant to give the matter time and study. At length, through two of its members, the committee has reported. Their report was adverse, the only distinctly adverse report on stabilizing the dollar made by any committee from among the scores of business bodies which have had committees on this proposal.

The language of the committee is extremely courteous and is even complimentary to me personally. In return I wish to say, very sincerely, that I keenly appreciate the honor which was done me in complying with my request to give the matter some attention, even though the report occupies only nine paragraphs.

This brief statement of the committee (the essentials of which are quoted below) was clearly intended not as an analysis but as a pronouncement, aiming to brush aside my proposal, together with all other proposals to change our monetary system.

As was to be expected, many bankers and others who have analyzed the plan for themselves and found it sound, have had their interest in and approval of the plan quickened rather than dampened by reading this report. The following is one example among many. At a meeting of the New Haven Chamber of Commerce at which the bankers' committee's report was read in full, a resolution was passed "that the New Haven Chamber of Commerce, realizing the evils that flow from a fluctuating standard of value, hereby petitions Congress to enact legislation to stabilize the purchasing power of the dollar, and to that end, we recommend the consideration of the plan proposed by Professor Irving Fisher of Yale University, as soon as the conditions of currency, credit and exchange have sufficiently recovered from the immediate effects of the war, to make its application feasible."

The committee believe that "it is unwise to agitate changes in the gold standard at the present time"

EDITOR'S NOTE.—The Currency Commission of the American Bankers Association has declined to make any further comment upon Professor Fisher's plan, feeling that it has fulfilled its duty to the American Bankers Association in the attention it has already given the matter.

The Editor feels it proper, however, to call attention to certain erroneous statements in the article.

First. The report of the Currency Commission was not made "through two of the members," as Professor Fisher states. Fourteen members of the Commission participated in the correspondence and discussion that preceded the formulation of the report, and fourteen members signed it.

Second. Professor Fisher says: "It was this same type of ultra-conservative banker that so strenuously opposed the introduction of the Federal reserve system when it also was a 'novelty'." This statement is unjust in the extreme to the signers of the report of the Currency Commission. A majority at least of the members of this Commission played some constructive part in the formulation of the Federal Reserve Act.

Third. Professor Fisher accuses the Commission of making misleading statements in regard to the attitude of economists. It is proper to state that the Commission submitted with its report, in an appendix, the actual statements of the following economists, all of whom clearly and specifically opposed Professor Fisher's plan:

Dr. Carl C. Plehn, Professor of Economics, University of California.
Dr. E. R. A. Seligman, Professor of Economics, Columbia University, and formerly President of the American Economic Association.
Dr. David Kinley, President of the University of Illinois and formerly President of the American Economic Association.
Dr. B. M. Anderson, Jr., Economist of the Chase National Bank in New York.
Dr. H. P. Willis, Professor of Banking at Columbia University and formerly Secretary of the Federal Reserve Board.
Dr. J. H. Hollander, Professor of Economics at Johns Hopkins University.
Dr. F. W. Taussig, Professor of Economics, Harvard Univerity, formerly President of the American Economic Association.
Dr. J. L. Laughlin, Emeritus Professor of Economics, Chicago University.
Dr. David Friday, Professor of Economics, University of Michigan.
Mr. Andrew J. Frame, Economist, Waukesha, Wis.

Some of these statements had been previously published and some of them had been prepared at the request of the Commission for its use.

and that "the banking profession of the United States should concern itself with the maintenance in the United States and restoration in Europe of the old-fashioned gold standard, rather than with any effort to introduce refinements and novelties."

Not only do they advise against making any change in our present system, but they urge that the question should not even be investigated by Congress. "Our judgment is further very definitely adverse to the proposal that the American Bankers Association should memorialize Congress to appoint a commission to investigate this matter and to determine whether a law embodying the plan should be adopted by Congress. We believe it is unwise to agitate changes in the gold standard at the present time."

"Agitation" Disapproved

It is clear from the polite refusal of the committee to encourage any "agitation" on this important subject that their real objection constitutes what psychologists would call an adverse emotion rather than an adverse opinion.

One of the two signers adds a postscript to the report in which he says "it is possible that Dr. Fisher's plan might work out if established under normal conditions and if a guarantee could be had that normal conditions would permanently prevail."

I have no doubt that the writers of this report are conscientious in all this. Their conscientiousness is that of the ultra-conservative or standpatter, who feels an instinctive hostility to any effort to disturb the sacred traditions in which he lives and moves and has his being. To them the "old-fashioned gold standard" is the ark of the covenant and any discussion, even, of "novelties" is sacrilege.

It was this same type of ultra-conservative banker that so strenuously opposed the introduction of the Federal reserve system when it also was a "novelty." Of course, these same men would now, just as strenuously, oppose any change back to the system which they once defended. What they oppose is a change, whether that change be forward or backward.

This is the feature of the report which I especially regret. It is of little consequence that the report shows some misunderstanding of my particular plan to secure stabilization. But it is, it seems to me, very regrettable indeed to find not a single syllable of approval of the general purpose of stabilization!

In this respect these defenders of tradition, go far beyond the conservatism, strong as it is, of the average banker. For other bankers who have expressed doubt of my particular plan have at least heartily commended the object at which it aimed.

And so it happens that the fight for a stable dollar is creating an alignment between standpatters and progressives, an alignment which cuts across every profession, bankers included. Among the strongest advocates of stabilization are the bank presidents and vice-presidents whose names adorn the list of our organization committee.

When the standpatter makes up his mind to stand pat he finds all manner of excuses for his attitude. He must have, as modern psychology expresses it, a mental "defense."

"Dangerous Proposals"

The chief excuse of the bankers' committee was that to encourage discussion of a stable dollar at this time might open the door for all sorts of other proposals. "Proposals looking toward the creation of new currency systems, divorced from the gold standard, are being made in many places. Many of them are of an extremely wild and dangerous character. Professor Fisher's plan, to be sure, retains the element of redemption in gold, even though in a varying amount of gold. But there are many proposals which involve the abandonment of gold altogether and the creation of *fiat* money pure and simple."

But why refuse indiscriminately to consider any plan simply because *some* plans are bad? The "defense" just mentioned ignores the merits of the question.

To further justify their position, however, the signers of the report find specific flaws in my plan for stabilization.

This particular plan is, in essence, to counteract any tendency of gold to depreciate by increasing the gold content of a dollar (and reversely). We know that such a procedure would actually work on the same principle that the price levels of Mexico and the United States are inversely proportional to the weights of the gold dollars in the two countries.

The committee allege two special faults in this plan: (1) When prices tend to rise rapidly the government might find it impossible to maintain redemption; (2) when prices tend to fall, our gold reserve would be threatened by foreign drains upon it. The impression is thus given that the redemption reserve is diminished alike whether gold depreciates or appreciates! One or the other may be true; both cannot.

System Proposed

We may take up the former first. The committee's words are: "The plan would also make difficult, if not impossible, the maintenance of gold redemption in periods of rapidly rising prices." The problem of the redemption reserve is fully discussed in my book, "Stabilizing the Dollar," in the first appendix (pp. 125-139). There it is shown that when gold depreciates, *i. e.*, when prices tend to rise, it costs the government something to maintain its reserve, and that when the opposite situation exists the government exchequer is helped. The government, holding gold of diminishing value, is in the position of the owner of perishable fruit spoiling on his hands. He loses. This loss from the depreciation of gold would be nothing new or peculiar to the proposed system. The same loss occurs under our present system whenever gold depreciates, but the loss does not explicitly enter government accounts. The loss falls on the individual holder of gold certificates instead of on the government treasury. Under the system of stabilization proposed by me the government would take the risk of gold depreciation instead of the individual holder of gold.

Inasmuch as when gold is depreciating it costs the government something to keep up its reserve (or, rather, to keep down its liabilities against its reserve), it follows that if we should have another world

war, the government might, theoretically or conceivably, be forced to stop redemption. If every ounce of energy was needed for the war emergency we would have to sacrifice stabilization and permit inflation as almost always happens in a great war emergency whatever the monetary system. These possibilities are frankly faced in my book (page 226).

In short, stabilization must be admitted to have its limitations like the present system, and like all things finite and human. All that can be claimed or expected is that any stabilization system would mark a tremendous improvement over our present system. Practical progress never is, nor should it ever be, Utopian.

But the impossibility of maintaining redemption could scarcely happen otherwise than in case of a world war for I do not think there is any other calamity conceivable which would make it impossible for a stable government to maintain a balanced budget. As long as a government can make both ends meet it can stabilize the dollar. The chances of any stable government being unable to maintain stable money are, therefore, very remote. In fact, the stabilization of money would render such a remote contingency even remoter, for stabilization would insure prosperity and prosperity would insure the fiscal resources of the government.

War Might Upset System

It is noteworthy that such times of stress as we do find in times of peace are almost invariably due to our unstable money! To imagine trouble for a stabilization system from a tendency of money to depreciate, excepting in war time, is, therefore, very academic.

But even if another world war is to come and should be so costly as to upset stabilization, supposing this to have been adopted in the meantime, what of it? If we should then suspend stabilization and return temporarily to our present system we should certainly be no worse off than we are now!

Moreover, the immediate prospect is not of any prolonged depreciation, but rather of a prolonged appreciation of the dollar. There may be a temporary rebound of a year or two from the present low-price level, but after that is over the stage seems to be set for a generation of agonizing price reductions like that following the Civil War.

What would stabilization do under such circumstances?

This brings us to the other half of the subject—the appreciation of gold. Here the committee has no ground at all to stand upon.

The committee's contention on this subject is that my plan for stabilization "would lead to foreign drains on our gold in any period of crisis, since the plan calls for lightening the gold behind the dollar when prices fall, and foreigners, foreseeing this, would draw down their balances in this country and sell 'dollars' short before the government could make the change!"

This is true, but misleading.

Universal Adoption Necessary

In the first place, let it be stated that to get the best results any plan for stabilization should be international. Otherwise our trade with foreigners will not be rid of the speculative element of an unstable "rate of exchange."

But let it not be forgotten that we have just such a situation today as the committee assumes. Foreigners who today have dollar balances in American banks may, at any time, withdraw those balances if they anticipate that dollar exchange is about to fall. Bankers cope with this difficulty now and would cope with it under stabilization just the same. Stabilization would make matters no worse, but would make them better, whether (1) introduced internationally, or (2) introduced by our country alone, but soon after by other countries following suit (as they would almost surely do), or (3) even if they never did follow suit.

To elaborate the last point, I wish to point out that my plan for stabilization, instead of threatening our gold reserves, is especially fitted to prevent the evils of a "drain of gold," the *bête noire* of the banking world, while under our present system danger of this kind is ever threatening us. If there is any one thing which the committee has gotten upside down it is this.

At present we are at the mercy of foreign conditions. During the war we put an embargo on exporting gold to prevent its loss. Now we are dreading the loss which will inevitably come if Europe resumes specie payments and contracts her currencies so as to suck out some of our gold. If, therefore, Europe returns to the "old-fashioned gold standard," as the committee wants, that fact will necessitate the very drain of gold which it most emphatically—and properly—does *not* want. In other words, we are confronted today by the very spectre of gold drain which the committee fears. Stabilization would not make it worse, but, on the contrary, would render any drain harmless.

Under our present system such a drain of gold as we have every reason to fear in the ensuing decades will mean falling prices, low profits, depression of trade, unemployment and a new discontent, in which the luckless object of the public wrath will be not the profiteer, as at present, but the money lender and banker. We shall hear re-echoed the cry of the '90s from the lips of farmers and business men (whose appreciating mortgages and debts will be growing intolerable in view of lowered or vanished profits) against the supposedly wicked "gold bugs of Wall Street." Whether the new malcontents be enrolled under the old name, "populism," or under the banner of non-partisan league, or in some other form or guise, they will have a fancied grievance against the banker. Their real enemy will be an appreciating dollar.

That is the picture looming up before us *if we retain our present system.*

But if it turns out that the counsels of our progressive bankers predominate and join with the counsels of business men and economists, this spectre of the foreign drain of gold need not worry us; for, with stabilization, that drain of gold, instead of causing falling prices, is translated into a lightened dollar, and a lightened dollar means more dollars in every ounce of gold.

The point is not that stabilization would prevent a drain of gold (for it would have no substantial influence in diminishing the number of *ounces* of gold shipped out of the country), but that *it would render*

any drain innocuous. With this system in force we could complacently share our gold with Europe and, as I have shown in my book (pages 126, 129, 175), register a profit in our treasury in doing so. The more gold flowed out the more dollars would be contained in the stock left behind. Our government reserve, in dollars, would rise and it would issue more gold certificates against it. Instead, therefore, of Europe taking the underpinning out from our credit structure, we should always have the number of dollars required to prevent falling prices or appreciation and stringency. We should at last get rid of the entangling alliance with European conditions in which our country is now involved.

We should be freed from the alternation of gold feasts and famines. At present the only check to a drain of gold is through a fall of our price level. Our bank reserves are at the mercy of Europe. Their banking and currency policies over which we have no control, their trade and tariffs, their wars and war indemnities all affect our gold supply and conspire to upset our gold standard, *i. e.*, the purchasing power of our fixed-weight dollar.

Stabilization would afford a complete control of the amount of our gold *in dollars* without restricting the inflow and outflow of gold *in ounces.*

In short, in a stabilization system the very bugbear of the banker, a "drain" of reserves, would be conspicuous by its absence. Here, then, the committee's argument turns sharply against itself.

It is to arrest these peace-time swings of the price level which is the real purpose of stabilization. In war time a rise of general prices may be condoned, but in peace time the business and banking world has a right to expect stability. But in all the long history of prices and monetary standards they have never yet had it for ten years at a time.

But the weakest part of this weak report seems to me to be the effort to bolster up the objections raised, by referring to the attitude of economists. The words of the report are: "The weight of their combined judgment strengthens decidedly our confidence in our own adverse conclusions." This reference is very misleading, as it would create the impression that economists were in general opposed to stabilization.

The exact opposite is the truth. I can personally quote scores of specific endorsements of economists. I scarcely know of an economist in good standing who is opposed to stabilizing our gold standard or to "agitating" the subject. The organization committee of the Stable Money League alone includes a score of leading economists, of which ten have been presidents of the American Economic Association, the highest honor in the gift of their fellow economists.

The committee, however, cite no economists as supporters of my plan, nor of the idea of stabilization, but cite several economists alleged to be in opposition. I have obtained and read the statements of the economists referred to by the committee. I find that most of them hold views widely varying from those expressed by the bankers' committee. The utmost which could be claimed by the committee is that these particular economists are either not convinced of the need of stabilization or of the adequacy of my particular proposal. But the following quotations, from the very articles referred to by the committee, show how far away even these doubting Thomases among economists are from the position taken by the committee.

Taussig: "The plan, rigidly adhered to, would bring long-run stability of prices." "In sum, I am not convinced that the evils of the present system are so great as to call for the extraordinary remedy proposed." "The time may come in this matter, as in others, when mankind will do away with rough expedients and will adopt more refined methods, devices more constructive."

Seligman: "My object has not been to throw cold water upon the plan. On the contrary, I think that the plan is one well worthy of careful study, one which deserves much more careful attention than it has received. I feel assured that some day in the distant future we shall reach a stabilized, not indeed a stabilized dollar, but a stabilized international unit."

Willis: "The argument for the stabilization of the dollar seems to me to admit of little or no reply. Everyone must recognize the tremendous injustice of the present situation—the harm which has been done by past fluctuations in the value of the dollar, the evil which is certain to result from further changes in prices. It is not a question of whether the dollar should be stabilized or not, but how it should be stabilized. The obvious way of stabilization of the dollar is the old-fashioned way—that of reducing banking and currency inflation and of gradually restoring prices to their former level. Stabilization is an essentially desirable object, one toward which every effort should be devoted, but its success implies much more than changes in monetary conditions."

Hollander: "Professor Fisher's analysis of the cause and effect of price fluctuation is the most important contribution to monetary discussion in the United States made within the past decade. The present situation, however, demands deflation. At such a juncture to undertake with Professor Fisher a reform to prevent future price fluctuation rather than to effect present price reduction might be likened not unfairly to the interest of a physician in the future health of a patient to the neglect of his present malady."

My plan for stabilizing the dollar has now run the gauntlet for over ten years and no faults have been discovered which have not been fully stated in my book. It has steadily won adherents. Those who oppose do so from one or more of the three following reasons: (1) blind conservatism, (2) confusion of thought, (3) dependence on second-hand objections of others. All of these will melt away, slowly but inevitably.

But whether my particular plan be right or wrong, weak or strong, and whether or not a better plan exists or may be evolved, it would be premature now for this society to tie itself up to this or any other particular plan. Our immediate purpose is twofold: (1) to study the subject and (2) to arouse the public to the necessity of securing a solution.

Rhode Island Blue Sky Law

THOMAS B. PATON
General Counsel

THE Legislature of Rhode Island has passed a comprehensive act regulating the sale of securities to be cited as "The Securities Act," approved April 22, 1921, to take effect June 1. Brokers or salesmen of securities, other than such as are exempted from the provisions of the act, are required to register as such with the Bank Commissioner. Notice of intention to offer securities for sale must be filed with the Commissioner, who may require full information concerning assets, earnings and liabilities. The Commissioner may impose conditions upon the sale of securities or cancel the privilege of further sales and publish warnings to the public. The act provides the procedure for a public hearing before the Commissioner by any person aggrieved by his order. Information received by the Commissioner is open to public inspection. But the Commissioner may in his discretion withhold certain information from the public. The exemptions to which the provisions of the act do not apply are (a) any isolated sale of security by an owner or representative, (b) commercial paper or evidences of indebtedness maturing less than eleven months from date of issuance, (c) securities issued or guaranteed by a government or public body, (d) securities of certain public service utilities, (e) securities listed upon a regularly organized stock exchange as specified by the Commissioner, (f) securities sold to a national bank, trust company or insurance company for its own account and investment, (g) securities issued by banks, trust companies, cooperative banks, credit unions, insurance companies, building and loan associations or fraternal benefit associations, (h) securities of any Rhode Island corporation organized for non-business purposes, (i) judicial sale or sales by executors, administrators, trustees, assignees, receivers, conservators or guardians, (j) distribution by corporation of stock, bonds, etc., to its stockholders, (k) sales of securities by pledgees or mortgagees, (l) sales of notes secured by mortgages, (m) the issue or sale of securities directly to a registered broker, (n) certain sales, contracts or agreements made prior to this enactment, (o) certain sales at public auction of securities not otherwise exempt.

The Commissioner may, however, suspend the further sale of exempted securities for attempted fraud.

Commendation from Secretary Wallace

A LETTER from Henry C. Wallace, Secretary of the Department of Agriculture, was recently received by William G. Edens, vice-president of the Central Trust Company, Chicago, commending the attitude of the Agricultural Commission and the Executive Council of the American Bankers Association toward Federal aid to the states in highway construction.

It will be remembered that at Pinehurst last month a resolution was suggested by the Agricultural Commission and adopted by the Executive Council of the A. B. A., indorsing the government's policy with respect to highways and urging its continuance. Mr. Edens sent a copy of this resolution to President Harding, whose secretary, Mr. Christian, was directed to hand it on to Secretary Wallace for reply.

The Secretary's letter to Mr. Edens follows:

DEPARTMENT OF AGRICULTURE
WASHINGTON

May 13, 1921.

MR. WM. G. EDENS,
Vice-President Central Trust
Company of Illinois,
Chicago, Ill.

DEAR MR. EDENS:

Mr. Christian, Secretary to the President, has referred to this Department your letter of May 7, accompanying the resolutions passed by the American Bankers Association at the Pinehurst meeting on May 3. I am very glad to have this expression from the Agricultural Commission and the Association, as it supports the belief which I hold firmly that the present plan of extending Federal aid is the only practical plan for the Federal Government to follow in assisting to develop an adequate system of highways. It is undoubtedly desirable to make from time to time such changes or modifications in the existing legislation as experience proves to be desirable, and one of the important modifications needed now you have touched upon in your resolution with reference to maintenance of the roads which are built.

I wish to assure you that the expression of the opinion of the Association will receive full consideration.

Very truly yours,

(Signed) HENRY C. WALLACE,
Secretary.

50th Anniversary

The Peoples Bank of Mobile, Ala., recently issued an unusually attractive booklet in commemoration of its fiftieth anniversary. The institution has taken for its slogan, "The Bank of Personal Service," and it has proved a most effective one judging by the present condition of the bank.

Tours to Los Angeles Convention

An Outline of Some Tours to the Coast and Back, Promising Travel Comfort and Scenic Delights for the Bankers and Others Who Will Attend the Convention in Los Angeles, October 3-8.

THREE tours from the eastern seaboard to the Los Angeles convention of the American Bankers Association, which is to be held in Los Angeles, October 3-7, have recently been announced. Two have been arranged by the New York Central Lines and the third by the Pennsylvania. All three start at New York City, but may be "picked up" on the way west, and all include, both going and returning, all the "scenery" possible.

The longer of the New York Central tours (Tour "A" Red Section) leaves New York September 16 and returns October 13. It takes in the Canadian Rockies, the Yosemite, Santa Barbara and the Grand Canyon. The second New York Central tour (Tour "B" White Section) starts September 21 from New York and goes west by way of Colorado Springs and Salt Lake City to Los Angeles, joining the "Red Section" and taking in the Yosemite, the Grand Canyon, etc., on the return.

The New York Central's announcement with respect to these tours runs as follows:

Tour "A" Red Section

Leaves New York September 16. Arrives New York October 13.

It is planned the Red Section will leave New York, Friday, September 16, stopping at Albany, Utica, Syracuse, Rochester and Buffalo, and arrive Chicago the following afternoon. To break the journey the party will be transferred by autos to Hotel Drake and take dinner there. In the early evening the party will entrain for St. Paul, where an automobile drive around St. Paul and Minneapolis the following morning has been arranged with luncheon at Hotel Radisson. The departure will be from Minneapolis early the evening of the 18th and we will reach Banff, nestled in "The Matterhorns" of the Canadian Rockies, on the morning of September 20. The balance of the day and the following morning will be spent at Hotel Banff and departure is made for the Chateau Louise on beautiful Lake Louise at noon of the 21st. Dinner will be served at the Chateau and the party will retire on train for an early morning start to insure a daylight trip through the entire Canadian Rockies on the 22d, arriving Vancouver on the morning of September 23.

Central Park, Los Angeles, Calif.

At Vancouver the party boards the palatial Canadian Pacific steamer, "Princess Charlotte," for a daylight sail across Puget Sound to Seattle, stopping over at Victoria for an hour and a half for a drive through its quaint suburbs, and arrives Seattle 9.15 P. M. The party will stay overnight at the New Washington Hotel in Seattle and after a tour of the boulevard system will leave the following night, September 24, for Portland, the "Rose City." At Portland meals will be in Hotel Benson and an automobile trip over the famous Columbia River drive will be taken. The party leaves Portland on the night of September 25 for San Francisco, making a brief stop at Shasta Springs. At San Francisco hotel rooms only will be covered by the tour, as the committee is of the opinion that the party will prefer to take meals at some of the famous dining resorts. At San Francisco the Red Section will be joined by the White Section party and both parties complete the tour together.

The Red and White Sections will leave San Francisco the night of September 28 for Yosemite National Park, where drives will be taken to Mariposa Grove of Big Trees and Glacier Point with headquarters at Yosemite Lodge. After two days in the park we leave the night of September 30 for Del Monte. Luncheon and dinner will be at Hotel Del Monte and the historic seventeen-mile drive through Old Monterey is a part of the program. The party will leave Del Monte on the night of October 1 for Santa Barbara, where breakfast and luncheon will be at the hotels and a drive to the Old Missions and beaches enjoyed. Leaving Santa Barbara early in the afternoon of October 2, the party will arrive Los Angeles 5.30 P. M. At the convention city hotel accommodations are at the expense of the individual and you should apply to Mr. H. F. Stewart, chairman Hotel Committee, care Farmers National Bank, Los Angeles, for rooms.

After the convention the Red and White Sections will leave Los Angeles the night of October 7 for Riverside and breakfast next morning will be at Mission Inn, and the famous drive to the summit of Mt. Rubidoux, through Magnolia Avenue, thence on to Redlands, Smiley Heights and San Bernardino will be accomplished. The party entrains at San Bernardino on the afternoon of the 8th for the Grand Canyon, making a brief stop at The Needles on the way. Breakfast, luncheon and dinner will be at the Hotel El Tovar on the brink of the Canyon. There are many impressive drives along the rim of the Canyon and the saddle trip down

Bright Angel Trail, one of the most exhilarating in the world, to the Colorado River may be taken. The party departs night of October 9 for Chicago, stopping over at Isleta to visit the Indian Pueblo and at Albuquerque to visit the Harvey Indian Museum. The arrival at Chicago is 9 A. M. on October 12, and after breakfast the Lake Shore auto drive is on the program, with luncheon at Edgewater Beach Hotel. Party will leave Chicago 5.30 P. M., October 12, and arrive New York 5.25 P. M. the following day, October 13.

Grand River Rapids near Glenwood Springs, Colo.

Tour "B" White Section

Leaves New York September 21. Arrives New York October 13.

Tour "B" will leave New York the afternoon of September 21 and run to Denver direct, with stops at Albany, Utica, Syracuse, Rochester and Buffalo, and arrive Denver early the afternoon of September 23. Dinner will be at Brown Palace Hotel, with an auto drive about the city and environments. The train will leave Denver about midnight of September 23, arriving Colorado Springs early on the morning of September 24, where the party will be located at Hotel Broadmoor. An auto drive to the Garden of the Gods and the celebrated Crystal Park trip will be taken. On the morning of September 25 the party will leave Colorado Springs for a daylight trip through the Royal Gorge and arrive Salt Lake City on the morning of September 26. A short drive will be had about the city, visiting the original Mormon colony, and an organ recital will be given for the party in the Mormon Tabernacle. This organ has a pipe, the "vox humana," said to more closely resemble the human voice than any other organ in the world. The perfect acoustics of this building are probably known to you. The departure from Salt Lake will be in the early afternoon of September 26 and the route to San Francisco will be across Great Salt Lake. This is truly a trip at sea on a railroad train and is an unusual experience.

At San Francisco the party will join Tour "A" Red Section and the entire party makes the trip from that point back home, covering Yosemite Valley, the Mariposa Grove of Big Trees, Del Monte, Santa Barbara, Riverside, Redland, San Bernardino and the Grand Canyon. (See Tour "A" for details beyond San Francisco.)

The estimated cost from New York of Tour "A," the long tour, is $610 to $655, according to sleeping-car accommodation selected. Tour "B," the short tour, includes also Yosemite Valley and is estimated at $530 to $550. From Boston the cost will be about $15 higher on each tour. Proportionate costs from intermediate points. These estimated prices include round trip railroad and Pullman transportation, hotel accommodations except at Los Angeles, side trips, all meals except at San Francisco and Los Angeles, transfers of passengers and baggage, automobile sight-seeing trips; in fact, all necessary expenses except as outlined above.

The Pennsylvania tour starts from New York on September 25 and takes in the Grand Canyon and San Diego on the way out, stopping on the return journey at San Francisco, Santa Barbara, Big Trees, Salt Lake City, Colorado Springs, Royal Gorge, etc., and reaching New York on October 18.

The Pennsylvania's announcement of the tour reads in part as follows:

The Pennsylvania System has arranged for a special train de luxe to and from Los Angeles and the Pacific Coast which will afford those who contemplate attending the convention and visiting San Francisco a delightful trip under the most favorable conditions.

This train de luxe will follow an itinerary covering the most interesting routes of travel during the fall season, going westward via Chicago and the Grand Canyon of Arizona, with stops at Albuquerque, Riverside and San Diego (Coronado Beach), reaching Los Angeles Sunday afternoon, October 2.

After the convention the party will return via San Francisco, visiting Santa Barbara, Del Monte, Big Trees, San Francisco, Salt Lake City, Colorado Springs, passing through the Royal Gorge (Grand Canyon of the Arkansas, Ark.) and Denver. From Los Angeles side trips may be taken to Pasadena, Mt. Lowe and Santa Catalina Island, etc.

Members of the party will make their own hotel arrangements covering period of convention —October 3 to 7— by communicating with Mr. H. F. Stewart, chairman Hotel Committee, care Farmers & Merchants National Bank, Los Angeles, Calif.

Tickets will be sold for the tour, covering round-trip transportation, Pullman accommodations (one berth) and all meals in dining car when traveling on the special train; all drives and transfers are also included, excepting where shown as taken at individual expense, and all necessary expenses, including meals and accommodations at hotels, except at Los Angeles, at $485 from New York City and proportionate rates from other points. New England bankers join the tour party at New York. Southern bankers join the tour party at Washington.

The following additional charges will be made for extra Pullman accommodations on the special train: Two persons in compartment (each), $58; two persons in drawing-room (each), $106.50; three persons in drawing-room (each), $75.20.

Itinerary

Sunday, September 25

Dinner in dining car.

Lv. New York (Pennsylvania Station).....(E. T.) 6.05 P. M.
Lv. Newark (Market Street).. 6.27 P. M.
Lv. North Philadelphia..... 8.00 P. M.

Lv. Washington, D. C..... 6.30 P. M.
Lv. Baltimore, Md..... 7.40 P. M.
Ar. Harrisburg, Pa.....10.00 P. M.

Lv. Harrisburg, Pa.....10.38 P. M.

Monday, September 26

Breakfast and luncheon in dining car.

Ar. Pittsburgh, Pa..... 4.32 A. M.
Lv. Pittsburgh, Pa..... 4.47 A. M.
Ar. Chicago, Ill.....(C. T.) 3.00 P. M.

Dinner at Hotel Drake.

A. T. & S. F. Ry.

Lv. Chicago, Ill..... 8.00 P. M.

Tuesday, September 27

Breakfast, luncheon and dinner in dining car.

Ar. Kansas City, Mo..... 8.45 A. M.
Lv. Kansas City, Mo..... 9.00 A. M.
Ar. Dodge City, Kan..... 6.45 P. M.
Lv. Dodge City, Kan. (M. T.) 5.55 P. M.

Wednesday, September 28

Breakfast, luncheon and dinner in dining car.

Ar. Albuquerque, N. M.....10.40 A. M.

Visit Harvey Indian Museum at station.

Lv. Albuquerque, N. M.....11.10 A. M.
Ar. Williams, Ariz.....10.05 P. M.
Lv Williams, Ariz.....10.10 P. M.

Thursday, September 29

Breakfast, luncheon and dinner at Hotel El Tovar.

Ar. Grand Canyon, Ariz..... 2.00 A. M.

Hermit Rim Road drive by automobile. Drives may also be taken to Rowes Point and O'Neills Point, or trip on mule back down the Bright Angel Trail to the Colorado River at individual expense.

Lv. Grand Canyon, Ariz..... 7.25 P. M.

Friday, September 30

Breakfast and luncheon in dining car.

Ar. San Bernardino, Calif., (P. T.) 1.00 P. M.

Automobile drive to Redlands, Smiley Heights, Mt. Rubidoux, thence along the famous Magnolia Avenue to Glenwood Mission Inn at Riverside. Dinner and lodging at Mission Inn.

Saturday, October 1

Breakfast at Mission Inn.

Lv. Riverside, Calif..... 8.30 A. M.
Ar. San Diego, Calif.....12.30 P. M.

Transfer of passengers and baggage to Hotel Del Coronado, Coronado Beach and return. Luncheon, dinner and lodging at Hotel Del Coronado.

Sunday, October 2

Breakfast and luncheon at Hotel Del Coronado. Optional side trips may be made at individual expense to Tia Juana, Mexican resort famous for horse racing, bull fighting, etc.

Lv. San Diego, Calif..... 2.00 P. M.
Ar. Los Angeles, Calif..... 5.30 P. M.

October 3-7

At Los Angeles, attending sessions of the convention. Side trips may be taken to Pasadena, Mt. Lowe, Universal City, Santa Catalina Island, etc.

Saturday, October 8

Breakfast at hotel at individual expense.

SOUTHERN PACIFIC COMPANY

Lv. Los Angeles, Calif..... 9.00 A. M.
Ar. Santa Barbara, Calif.....12.28 P. M.

Luncheon and dinner at Arlington Hotel. Automobile drive to Montecito, thence to Mirsmar-by-the-Sea and returning over Ocean Boulevard.

Lv. Santa Barbara, Calif..... 7.40 P. M.

Sunday, October 9

Ar. Del Monte, Calif..... 5.00 A. M.

Breakfast and luncheon at Hotel Del Monte. Automobile ride over famous 17-Mile Drive through Monterey and Carmel.

Lv. Del Monte, Calif..... 2.00 P. M.
Ar. Big Trees, Calif..... 5.00 P. M.

Dinner in Southern Pacific Company dining car. Visit Big Tree Grove.

Lv. Big Trees, Calif..... 6.00 P. M.
Ar. San Francisco, Calif. (Third and Townsend Streets).. 9.00 P. M.

Transfer of passenger and hand baggage from station to Palace Hotel. Lodging at Palace Hotel.

Monday, October 10

At San Francisco. Breakfast, luncheon and dinner at individual convenience and expense. Points of interest may be visited at individual expense at San Francisco and side trips may be made to Mt. Tamalpais, Golden Gate Park, Chinatown, Presidio, Seal Rocks, etc. Special train to be moved empty to Oakland Pier.

Lv. San Francisco, Calif. (Market Street), Ferry.....10.30 P. M.
Lv. Oakland Pier, Calif.....11.00 P. M.

Tuesday, October 11

En route. Breakfast, luncheon and dinner in dining car.

Balanced Rock near Manitou, Colo. It rests on a base 4x5 feet and weights 500 tons.

Wednesday, October 12

Ar. Ogden, Utah..... 1.00 A. M.

DENVER & RIO GRANDE RAILROAD

Lv. Ogden, Utah.....(M. T.) 2.30 A. M.
Ar. Salt Lake City, Utah..... 4.00 A. M.

Breakfast and luncheon at Hotel Utah. Automobile trip to points of interest, including Mormon Temple and Salt Air Beach.

Lv. Salt Lake City, Utah.... 4.45 P. M.

Dinner in dining car.

Thursday, October 13

Breakfast and luncheon in dining car. Pass through Royal Gorge and Grand Canyon of the Arkansas about 2.20 P. M.

Ar. Colorado Springs, Colo... 5.47 P. M.

Dinner and lodging at Hotel Antlers.

Friday, October 14

At Colorado Springs. Breakfast, luncheon and dinner at Hotel Antlers. Automobile trips will be taken to Manitou and Garden of the Gods. Other points of interest may be visited at individual expense and convenience, including Pikes Peak, Crystal Park, etc. Train parked for occupancy.

Saturday, October 15

Lv. Colorado Springs, Colo... 5.18 A. M.
Ar. Denver, Colo..... 7.00 A. M.

Breakfast and dinner at Brown Palace Hotel. Luncheon at individual expense. Automobile trip after luncheon, starting from hotel, visiting points of interest. Train placed for occupancy 9.00 P. M.

UNION PACIFIC RAILROAD

Lv. Denver, Colo.....11.30 P. M.

Sunday, October 16

Breakfast and luncheon in dining car.

Ar. North Platte, Neb. (M. T.) 8.20 A. M.
Lv. North Platte, Neb..(C. T.) 9.30 A. M.
Ar. Omaha, Neb..... 5.30 P. M.

C. M. & ST. P. RY.

Dinner in dining car.

Lv. Omaha, Neb..... 6.05 P. M.

Monday, October 17

Breakfast in dining car.

Ar. Chicago, Ill. (Union Sta.) 8.05 A. M.

PENNSYLVANIA SYSTEM

Lv. Chicago, Ill.....10.30 A. M.

Luncheon and dinner in dining car.

Ar. Pittsburgh, Pa...(E. T.) 10.50 P. M.
Lv. Pittsburgh, Pa.....11.10 P. M.

Passengers for Baltimore and Washington will transfer at this point, leaving Pittsburgh 11.25 P. M., arriving at Baltimore 8.18 A. M. and Washington 9.28 A. M., October 18.

Tuesday, October 18

Ar. North Philadelphia, Pa.... 7.29 A. M.
Ar. Newark (Market Street).. 9.06 A. M.
Ar. New York (Pennsylvania Station)..... 9.30 A. M

Breakfast in dining car.

The "Par Clearance Case" Decision

By L. R. ADAMS

Secretary-Treasurer, the Country Bankers Association of Georgia, and General Secretary-Treasurer, the National and State Bankers Protective Association, Atlanta, Ga.

A Clear and Informative Expression from the Country Banker's Viewpoint on the Problem of Par Clearance

ON May 16 the Supreme Court of the United States handed down its decision on the appeal of the country banks in the case of American Bank and Trust Co., Cordele, Ga., *et al., vs.* the Federal Reserve Bank of Atlanta, *et al.,* which case is familiarly known as the "Par Clearance Case."

In February of this year the Solicitor General of the United States appeared before the Supreme Court and urged that the hearing of this case be expedited in view of the large public interest in the case.

The Federal Reserve Board intervened in the case, *amicus curiæ,* and filed a brief with the court, and thereby, in effect, became a party to the case.

This case was originally filed in the Superior Court of Fulton County, Ga., by a number of state banks in Georgia. It was a prayer for injunction against the Federal Reserve Bank of Atlanta to enjoin it from inaugurating universal par clearance in Georgia by methods which the reserve bank itself described as "embarrassing, annoying and expensive" to the plaintiff banks. More than 400 state banks located in every state in the Sixth Federal Reserve District have become parties to the case by intervention.

Acting on this prayer, the Fulton Superior Court granted a temporary restraining order against the Federal Reserve Bank of Atlanta and its officers on January 15, 1920.

The case was removed to the Federal courts upon motion of the defendant reserve bank, and a motion was made by it to dismiss the bill for want of equity. The plaintiff banks endeavored to have the case remanded to the state courts but without success. The United States District Court sustained the motion to dismiss the case and the United States Circuit Court of Appeals sustained that decree.

The plaintiff banks then appealed to the Supreme Court, both on the question of jurisdiction and on the merits of the case, and it was this appeal that has just been decided by the Supreme Court in the decision handed down on the 16th. In the meantime the restraining order originally granted by the state court on January 15, 1920, has been continued in force pending the final disposition of the appeal.

> WE anticipate that the final effect of the Supreme Court's decision and of our efforts in the par clearance matter will be that both member and non-member banks will be given the right to charge reasonable exchange on checks cleared through the Federal reserve system or otherwise. However that may be, it appears that the country banks of Georgia, through the efforts of their association and of Mr. Smith and his associate counsel, have laid out a road which the Supreme Court has paved with concrete principles of justice, over which the non-member banks may safely and smoothly travel, using as a vehicle the equity processes of the Federal courts, to a safe haven in which they may exercise their lawful functions without fear of "embarrassing, annoying and expensive" methods of forcing their compliance with unauthorized demands.

From this, then, it is evident that there were two primary questions before the court for decision; that is, the question of whether the state courts or the Federal courts had jurisdiction of the case, and the other the question of merit, which is, perhaps, best expressed in this form: "Have the plaintiff banks alleged a state of facts in their pleadings which if proved would entitle them to relief through the equitable processes of the court?" In other words, "Did the plaintiffs' statement of facts make a case?"

The defendant reserve bank contended it did not and the lower court had sustained this contention in its decree, and it was this decree that the country banks sought to have the Supreme Court reverse, and which it did reverse.

Many collateral issues were raised, all relevant to the case but not necessary to be decided as essential to question of the sufficiency of the plaintiffs' case as alleged.

So far the progress of this case has been altogether by pleadings, and no evidence has been introduced up to this time.

The question of jurisdiction is merely one of channels through which the case might pass on to final adjudication, and the Supreme Court having dealt with the merits of the case as set out in the pleadings, the matter of jurisdiction may be dismissed as unimportant to the present discussion, with the simple statement that the court upheld the view that Federal reserve banks were not national banking associations within the view of the statute excluding national banks from the jurisdiction of the Federal courts, and consequently jurisdiction of this case resides in the Federal courts.

The basic allegation of the plaintiff country banks was that the reserve bank threatened and intended, if those banks refused to agree to remit the reserve bank at par, to resort *"to methods of collection which would prove embarrassing, annoying and expensive" to the country banks,* such being the language of the reserve bank itself. In short, to accumulate checks on the plaintiff banks in large quantities and to present them at the counters of such banks and demand currency in payment thereof, using either the express companies, local or traveling agents; and that such a course if followed would break down the plaintiff banks' business as now conducted.

Stripped, then, of collateral issues, the question narrows down to whether the right of the holder of a check or checks to demand payment in currency is an absolute or a qualified right.

In delivering the opinion of the court, Mr. Justice Holmes said (we omit the statement of the case and reference to jurisdiction for reasons stated):

Opinion Delivered by Mr. Justice Holmes

(Corrected by official printed copy.—F. R. J.)

On the merits we are of the opinion that the courts below went too far. The question at this stage is not what the plaintiffs may be able to prove, or what may be the reasonable interpretation of the defendants' acts, but whether the plaintiffs have shown a ground for relief if they can prove what they allege. We lay on one side as not necessary to our decision the question of the defendants' powers, and assuming that they act within them consider only whether the use that according to the bill they intend to make of them will infringe the plaintiffs' rights. The defendants say that the holder of a check has a right to present it to the bank upon which it was drawn for payment over the counter, and that however many checks he may hold he has the same right as to all of them and may present them all at once, whatever his motive or intent. They ask whether a mortgagee would be prevented from foreclosing because he acted from disinterested malevolence and not from a desire to get his money. But the word "right" is one of the most deceptive of pitfalls; it is so easy to slip from a qualified meaning in the premise to an unqualified one in the conclusion. Most rights are qualified. A man has at least as absolute a right to give his own money as he has to demand money from a party that has made no promise to him; yet if he gives it to induce another to steal or murder the purpose of the act makes it a crime.

A bank that receives deposits to be drawn upon by check, of course, authorizes its depositors to draw checks against their accounts and holders of such checks to present them for payment.

When we think of the ordinary case the right of the holder is so unimpeded that it seems to us absolute. But looked at from either side it cannot be so. The interests of business also are recognized as rights, protected against injury to greater or less extent, and in case of conflict between the claims of business on the one side and of third persons on the other lines have to be drawn that limit both. A man has a right to give advice, but advice given for the sole purpose of injuring another's business and effective on a large scale might create a cause of action. Banks as we know them could not exist if they could not rely upon averages and lend a large part of the money that they receive from their depositors on the assumption that not more than a certain fraction of it will be demanded on any one day. If without a word of falsehood but acting from what we have called disinterested malevolence, a man by persuasion should organize and carry into effect a run upon a bank and ruin it, we cannot doubt that an action would lie. A similar result, even if less complete in its effect, is to be expected from the course that the defendants are alleged to intend, and to determine whether they are authorized to follow that course it is not enough to refer to the general right of a holder of checks to present them, but it is necessary to consider whether the collection of checks and presenting them in a body for the purpose of breaking down petitioner's business as now conducted is justified by the ulterior purpose in view.

Yosemite Falls Will be Seen by Many Who Attend the Los Angeles Convention

If this were a case of competition in private business it would be hard to admit the justification of self-interest, considering the now current opinion as to public policy expressed in statutes and decisions. But this is not private business. The policy of the Federal reserve banks is governed by the policy of the United States with regard to them and to these relatively feeble competitors. We do not need aid from the debates upon the statute under which the reserve banks exist to assume that the United States did not intend by the statute to sanction this sort of warfare upon legitimate creations of the states.

Decree reversed.

May 16, 1921.

As we see it, the outstanding features of the decision, eliminating the question of jurisdiction, are:

First: The decree of the lower courts dismissing plaintiff's bill for want of equity is REVERSED.

Second: The injunction that has protected hundreds of banks in the

Sixth District since this litigation was commenced in January, 1920, STILL STANDS, and seems now in a fair way to be made permanent.

Third: The one successful method of the Federal reserve banks to compel non-assenting banks to comply with their par clearance edict—their one big stick—is accumulation of a bank's checks by putting it on the par list and presenting those checks at the window *en masse* with demand for payment in currency. In this decision the Supreme Court calls this pet process of the reserve banks *"warfare on the legitimate creations of the states"* and holds that the United States did not intend by the statute under which the Federal reserve banks were created to sanction this sort of warfare.

Fourth: The contention of the reserve banks that the right of the holder of checks to present them and demand payment in currency over the counter is absolute and without qualification is denied, and the contentions of the plaintiff banks that such right is qualified and that public policy demands that it shall be qualified is sustained.

Fifth: The court again affirmed the doctrine that a lawful act may become unlawful when done for an unlawful purpose, as contended by the plaintiff banks.

What the Decision Did Not Undertake to Decide

Questions raised by the plaintiff banks, laid aside by the court as being considered unnecessary to their decision at this stage of the litigation, were those relating to the powers of the Federal reserve banks under their charters and the acts creating them. Some of the questions raised by the plaintiffs are:

(a) Did Congress intend to require or empower the Federal Reserve Board and banks to set up a system of universal par clearance?

(b) Can the Federal reserve banks incur any expense whatever, much less unlimited expense as claimed by them, in collecting checks, no matter by what method accomplished, in view of the Federal Reserve Board's construction of the clause, "But no such charges shall be made against the Federal reserve banks"?

(c) Did Congress undertake, and could it constitutionally undertake, to legislate for non-member banks?

(d) Does the law compel the reserve banks to accept on deposit checks on non-member banks, either those which can or cannot be collected at par?

(e) What are their charter powers and what acts are *ultra vires?*

In its decision the Supreme Court compares the practice of accumulating checks on a bank and presenting them *en masse* and demanding currency in payment to a deliberately organized and planned run on the bank, and says: "A similar result, even if less complete in its effect, is to be expected from the course that the defendants are alleged to intend." Is this not a terrific indictment of a practice grown all too familiar?

Coercive Practice

What does the Supreme Court conceive the object of this alleged practice to be? The decision answers that question in this language: *"For the purpose of breaking down the petitioner's business as now conducted."* To what phase or feature of the plaintiff's business does this refer? Is it not clear that it refers directly to the exercise of the right to make reasonable "exchange charges for the collection of checks and the remission thereof by exchange or otherwise"?

We take it, then, that the court, having banned the use of this process for "the purpose of breaking down the petitioner's business as now conducted," has outlawed its use to whatever extent it may be used for that purpose or may have that effect.

On what ground can the reserve banks now even attempt to justify the practice of demanding currency for accumulated checks? The simple fact that when so presented exchange is refused, even at par, and currency demanded has always wholly controverted the claim that this was done for the ordinary and legitimate purpose of clearing and collecting checks. If that were the only and sincere purpose, then exchange would have been as freely accepted at the window in settlement of such checks as it was solicited through the mails. This demand for currency, then, irrefutably brands this practice as coercive and the court has called it *"warfare on the legitimate creations of the states."* The reserve banks have asserted it as an absolute right. The court has ruled *not so* —it is a *qualified* right, a right which public policy demands shall be qualified—a right which *must not be used to break down* the small bank's *business as now conducted.* How then, with that degree of respect customarily accorded the Supreme Court's decisions, can the further use of this sort of warfare be defended?

With its chief argument and only justification gone, what then must become of this effort to enforce universal par clearance?

The Supreme Court, in effect, holds that whatever the powers of the reserve banks may be under their charters and the Federal Reserve Act, they must not use such powers as they do possess so as to infringe the rights of the state banks.

Effect of Decision

Governor Harding is quoted as saying in the Associated Press story carried in the papers of May 17: "The Supreme Court's decision will not interfere with the present check-clearing functions of Federal reserve banks, which can continue as heretofore." This may be true in so far as it refers to the few banks that are willing to continue on the par clearance list and those which must perforce remain in the Federal reserve system. As to non-member banks, however, who desire to withdraw it is not improbable the check-clearing functions of the Federal reserve banks will serve a gradually and rapidly diminishing number. For these banks to immediately withdraw would be so natural in view of the principles enunciated by the court in its decision that it is to be expected it will be followed when the banks learn the full value and effect of this financial *Magna Carta* in protecting them from the injury threatened by the Federal reserve banks, to avoid which was the sole cause of their agreements to remit at par.

The decree of the lower court was reversed, and the next step in the necessary processes of the law is for the case to be tried in the U. S. District Court under the

principles decided by the Supreme Court. The plaintiffs will now have the opportunity to prove their allegations, and they eagerly look forward to that opportunity. The Atlanta bank's explanation of the famous phrase descriptive of their intended methods, "embarrassing, annoying and expensive," is yet to be made to the court.

If the Federal Reserve Bank of Atlanta did not and does not intend to do the things which the complaining banks charge in their petition they intend to do, and against which they secured the restraining order, it is difficult to understand why the defendants so strenuously fought the granting of the injunction. If they did not intend to use the methods restrained in an effort to exact agreements to remit at par from non-member banks of the Atlanta District, why did the whole plan for a universal par list come to a sudden end in the district when this injunction was granted?

Our Future Campaign

This decision of the Supreme Court sustaining our contentions as to our fundamental rights, coming much earlier than we had anticipated, may cause some slight modification, or rather speeding up, of the plan of our campaign. Granting the sincerity of the repeated protestations of the Federal Reserve Board that in attempting to force universal par clearance they were merely executing the law as they construed it, it might be logical to expect that, in the light of the Supreme Court's decision, the Federal reserve banks will now abandon their efforts to force non-member banks to remit at par. If the board takes this logical view we will be glad to join it in pressing for passage by Congress an amendment to the Federal Reserve Act giving both member and non-member banks the right to charge reasonable exchange on checks cleared through the Federal reserve banks.

Whatever policy may be adopted by the Federal Reserve Board in the future we shall continue to give the non-member banks of the country all the information and assistance we can as to the proper manner in which they may take advantage of the rights confirmed in them by the Supreme Court's decision to have their names removed from the Federal Reserve Board's par list and resume their right to charge exchange.

The significance of the name of the committee of the Country Bankers Association of Georgia which has had charge of the fight against enforced universal par clearance and of the association which has undertaken it on a nation-wide scale is perhaps worthy of passing comment. That is the "Committee of *Defense*" and the National and State Bankers' *Protective* Association. Is it not a striking commentary on the administration of a public law that a substantial section of the members of a respectable and law-abiding profession have found it necessary to band themselves together in an organized effort to assert their common rights and to protect themselves from the aggression of a mighty arm of governmental power?

Our general counsel, Mr. Alexander W. Smith, who was so largely responsible for the great victory of the country banks in the case decided, will be in position to advise all our member banks on this subject. In fact, there have been numerous inquiries of this office already from bankers who have been awaiting the outcome of this case.

We anticipate that the final effect of the Supreme Court's decision and of our efforts in the par clearance matter will be that both member and non-member banks will be given the right to charge reasonable exchange on checks cleared through the Federal reserve system or otherwise. However that may be, it appears that the country banks of Georgia, through the efforts of their association and of Mr. Smith and his associate counsel, have laid out a road which the Supreme Court has paved with concrete principles of justice, over which the non-member banks may safely and smoothly travel, using as a vehicle the equity processes of the Federal courts, to a safe haven in which they may exercise their lawful functions without fear of "embarrassing, annoying and expensive" methods of forcing their compliance with unauthorized demands.

Convention Calendar

Date	Association	Place
June 9-10	Illinois	Chicago
June 10-11	Connecticut,	Swampscott, Mass.
June 10-11	Massachusetts,	Swampscott
June 10-11	New England,	Swampscott, Mass.
June 10-11	Washington	Tacoma
June 13-14	District of Columbia,	White Sulphur Springs, W. Va.
June 14-15	Idaho	Boise
June 14-15-16-17	Nat. Asso. of Credit Men,	San Francisco, Calif.
June 15-16	Nebraska	Omaha
June 15-16	Wisconsin	Milwaukee
June 16-17-18	Virginia	Hot Springs
June 18	Maine	Belgrade Lakes
June 21-22	South Dakota	Yankton
June 22-23	Indiana	Indianapolis
June 23-24	Minnesota	Minneapolis
June 23-24-25	New York,	Atlantic City, N. J.
June 24-25	Nevada	Minden
June 29-30	North Dakota,	Grand Forks
July 13-14-15	Ohio	Cleveland
July 19-22	Amer. Inst. of Banking,	Minneapolis, Minn.
Aug. 5-6	Montana	Helena
Aug. 24-25	Kentucky	Louisville
Sept. 1	Delaware	Rehoboth
Sept. 9-10	New Mexico	Santa Fe
Sept. 14-15	West Virginia,	Parkersburg
Sept. —	Wyoming	Sheridan
Oct. 3-8	A. B. A.,	Los Angeles, Calif.
Nov. —	Arizona,	Castle Hot Springs

The American Acceptance Council

Its Organization, Objects and Accomplishments

By W. S. COUSINS

THE American Acceptance Council is an organized, unincorporated, voluntary working association of American bankers and business leaders, having for its object the development of the credit resources of the country, more particularly as expressed through the utilization of trade and bankers' acceptances in domestic and foreign trade.

The acceptance is the very basis of the Federal reserve system. It is, therefore, of the greatest importance that a proper conception of the principles and methods involved in the use of this premier instrument of credit shall be held by our business men and bankers, and that special consideration shall be given to the devising of means and methods that will effectively add to the usefulness of the acceptance in our credit system. The work of the Council may therefore be summarized as the bringing about of a better understanding on the part of both the bankers and the public of the proper use of trade and bankers' acceptances as credit instruments; the establishment of uniform practice in the creation and distribution of acceptances, and the development of an active nation-wide discount market, wherein prime paper based upon bona fide business transactions will flow freely from commercial to investment channels, and will eventually replace speculative collateral as a basis for call loans at the banking institutions.

The peculiar strategic position of the American Acceptance Council during the past two years has been that of an intermediary between the Federal Reserve Board and the business community, carrying to the people, in a popular and non-technical form, the message that the Federal Reserve Board and the Federal reserve banks wished to impart to them, and conveying to the Board, on the other hand, the views and requirements of the banks and the business public as from time to time they were evolved from practical experience. Much of this work has been of the pioneer character, since the adoption of the acceptance method of financing introduced an evolution in the administration of commercial credit and "to avoid the great, less errors were naturally committed." That the acceptance, in its broad field of service, has been brought so nearly to perfection is a tribute to the untiring zeal and devotion of the men who for the past three years have guided the affairs of the Council, and they are by no means a "close corporation."

> THE American Acceptance Council was organized "for the purpose of conducting and directing a nation-wide educational campaign designed to inform the business people and bankers as to the merits of trade and bankers' acceptances and the method of their use in foreign and domestic merchandising, and for the further purpose of aiding in the establishment of a comprehensive open discount market, and to assist in other matters that will improve the credit system and strengthen the financial position of America."

The membership of the Council is embraced in two general classifications, active members and service members. There are at present 43 service members and 242 active members, made up as follows: 119 state and national banks, 47 trust companies, 45 private bankers, 10 trade and bankers' associations and 31 commercial concerns.

It is obvious that the prerequisite to a general campaign of education such as that which has been conducted by the council for the past two years must of necessity be an exhaustive study of the object under consideration, and a careful formulation of the policies and principles to which it is sought to give wide publicity. Many good movements have met with premature demise because of the infusion of half-baked ideas into their preliminary campaigns. "Be sure you're right, then go ahead," is a motto that is as applicable to an organization or an institution as to an individual, and it is upon this system that the operations of the council are conducted.

The point of contact with the general public is furnished through the activities of the Publicity Committee, under whose direction a series of pamphlets have been prepared and distributed, with the idea of rounding out a comprehensive and standard literature on the subject of bankers' and trade acceptances. These pamphlets, prepared with the cooperation of Federal reserve officials, business men and bankers, have been placed in the hands of many thousands of persons throughout the country and are in constant and extensive demand, as high as 29,000 copies of a single pamphlet having been printed and distributed.

Herewith is a list of the booklets of the American Acceptance Council, with the authors thereof: "Acceptances in Our Domestic and International Commerce," by Paul M. Warburg; "American Bankers' Acceptances and Foreign Trade," by Fred I. Kent; "Bankers' Acceptances as an Investment," by Morton H. Fry; "Acceptances as the Basis of the American Discount Market," by John E. Rovensky; "Acceptance Corporations," by F. Abbot Goodhue; "Domestic Acceptances," by Rudolph H. Hecht; "Bankers' Acceptances—Principles and Practices," in two chapters; "Practical Problems in the Development of Bankers' Acceptances"; "Federal Reserve Board Regulations Relating to Acceptances"; "Problems and Progress with Dollar Acceptances," by Jerome Thralls; "Term Settlements," by Samuel F. Streit; "Trade Acceptances—What They Are and How They Are Used," by Robert H. Treman; "Elements of Trade Acceptance Practice," by Robert H. Bean; "Abuses to Be Avoided in Trade Acceptance Prac-

tice," by David C. Wills; "The Banker and Trade Acceptances," by George Woodruff; "Trade Acceptance Experiences," by James A. Green; "The Better Way—A Banker's Opinion."

The Publicity Committee also has under its direction the publication of the monthly *Acceptance Bulletin*, containing timely articles on the general subject of acceptances, together with editorial comments representing the views of the council on matters of peculiar interest to its members. Signed articles on general economics and credit conditions have constituted a feature of great value to the readers of the bulletin.

The Council has been instrumental in securing amendments to and revision of state and Federal statutes and regulations which were shown to be detrimental to the best interests of American business and finance, and has recommended and secured the adoption of those upon which a healthy development of business and credit might logically be expected. Its activities in this particular sphere are far from being complete, since, with the increased use of the acceptance in domestic and foreign trade, intricate problems connected therewith are continually being pressed for solution.

In speaking of the future prospects and possibilities of the acceptance in American trade and finance, Mr. Paul M. Warburg, president of the American Acceptance Council, in a recent article said:

> While we may consider with pride the accomplishments which, in so short a period, have rendered possible in the United States the growth of our acceptance business from practically nothing to an amount of over $1,000,000,000—which is the amount of American bankers' acceptances estimated to be outstanding at this time—we must not forget that we have barely laid the foundation for this business and that a great deal of work still remains to be done if it is to continue its rapid development on safe and sound lines.
>
> The future growth of the American acceptance business is a thing in which not only we, but the entire world is deeply interested. It is not only legitimate and good business; it is, at the same time, a contribution towards the reconstruction of a suffering world; a contribution on our part to which the world is plainly entitled.
>
> In the present maze of clashing opinions concerning America's proper share in the privileges and duties in relation to the rest of the world we have here one of the few cases where self-respect and self-interest point the same way and leave no doubt as to the course we should take.

Control of the affairs of the American Acceptance Council is vested in the Board of Representatives, which in annual meeting elects the officers and committees, including the Executive Committee. Quarterly meetings of the Executive Committee are held in New York and monthly or special meetings of other committees as occasion warrants. The executive secretary is charged with the duty of carrying out in the interim the specifications of the officers and committees.

The president of the council is Paul M. Warburg, former member of the Federal Reserve Board and chairman of th Board of Directors of the International Acceptance Bank, Inc.; William H. Porter of J. P. Morgan & Co. is vice-president; Robert H. Bean secretary; Percy H. Johnston, president of the Chemical National Bank of New York, treasurer, and Fred I. Kent, vice-president of the Bankers Trust Co. of New York, chairman of the Executive Committee. The chairman of standing and special committees are: Finance, Percy H. Johnston; Organization, Jerome Thralls; Publicity, Maurice L. Farrell; Auditing, Herbert C. Freeman; Policy and Operations, Fred I. Kent; Trade Acceptance, Robert H. Treman; Term Settlement, Paul M. Warburg.

Robert H. Bean, who since its organization has been executive secretary of the Council, has given direct supervision to every department of its work. The executive offices of the Council are at 111 Broadway, New York City.

Drastic Punishment for Burglars

COMBATING the theory that the crime wave is entirely an aftermath of the World War, the National Surety Company has appealed by letter to the Governor of every state for legislation inflicting severe penalties for bank burglaries, hold-ups and residence burglaries. The letter, signed by William B. Joyce, president, follows:

"As Governor of a great state, it is proper that you should be informed that burglaries and hold-ups cost the national and state banks of the United States, officially estimated, more than $1,500,000 last year, and seem certain to cost all financial institutions more and more every year in future unless vigorously and immediately checked.

"In view of this grave criminal situation, I respectfully urge you to advocate an amendment to the penal code of your state punishing bank burglary and bank hold-up by life imprisonment and residence burglary by a twenty-five-year minimum sentence.

"An expression of interest from you will have great weight. Only by drastic and prompt remedies can the present serious constant increase in these crimes be effectively curbed.

"More than 200 national and state banks were either held up or burglarized last year.

"Banks in the central west were particularly heavy sufferers. The spread of these crimes in your and other states can be prevented by legislation at once.

"Many of these crimes were effected with a shocking indifference to human suffering and human life. By example and suggestion, such acts undermine and imperil our nation's honesty and morality.

"It is a serious error to attribute these crimes merely to the World War. Unless sternly repressed they will continue a permanent expression of the criminal element in every community."

Oil Situation in Oklahoma

THE recent change in the posted price of Mid-Continent crude from $1.75 to $1.50 did not come altogether as a surprise to those producers who were in close touch with the situation, considering the disturbed condition of the gasoline market and the continued increase in the production.

Many arguments are being advanced as to the reason for the present overproduction. The principal one is that this overproduction is due to the importation of a large amount of Mexican oil. It is contended that through the cracking processes which most of the eastern refineries have a very considerable percentage of this Mexican crude is reduced to gasoline, although, of course, the greater percentage is used for fuel oil.

If it develops that Mexican crude is in reality a menace to the American oil industry, and that the Mid-Continent crude cannot be disposed of at a price that will enable the industry to live, then most certainly it should be protected by a tariff, and that promptly.

America is still consuming a large amount of gasoline; as much this year as last. Lubricating oil and fuel oil are a drug on the market. The foreign markets are practically closed, due to the fact that there is a large surplus of oil in Europe at the present time. Unfavorable rates of exchange and labor troubles in ports of exportation also have had a tendency to decrease the amount of oil shipped.

As oil is a fugitive product it is possible that the overproduction of today may become an underproduction in a few months. However, it is a fact that although drilling operations have supposedly been shut down for some time, yet during the same period production has increased, owing principally to the fact that several highly productive areas have been opened up. The new fields in Arkansas and Louisiana have loomed up as an important factor in the situation. However, at the present time it would seem as though Arkansas, for the time being at least, has ceased to be a menace.

A very large part of the troubles of producers is traced to gasoline prices. It is a well-known fact that the price of oil has a distinct effect on the price of gasoline and vice versa.

It is an open secret that some refineries have contributed to the present situation largely by cutting the price of their product below the cost of production, which has in turn demoralized the whole trade, and has been the principal reason for the decline in the price of gasoline, notwithstanding the fact that because of the low price of fuel oil and no demand for lubricating oil, gasoline must bear most of the load.

Oil production for the month of March of 40,802,000 barrels was the largest monthly production in the history of the United States, says a bulletin of the United States Bureau of Mines. California retains its lead as a producer; Texas was second, with 9,672,000, as against 8,340,000 barrels in February.

Oklahoma's production amounted to 9,602,000 barrels, against 7,919,000 in February.

The daily average production from all fields of 1,316,193 barrels increased 53,765 barrels as compared with February and 160,354 barrels as compared with March a year ago.

Imports for March amounting to 12,303,114 barrels show a falling off in daily average as compared with February of 9,705 barrels. However, for the first three months of this year imports increased more than 19,000,000 barrels as compared with a similar period last year.—*The Exchange Review*, published by Exchange National Bank of Tulsa, Okla.

Cipher Code Changes

On page 597 of the March, 1921, JOURNAL, an article appeared in regard to a letter of March 1, which was sent to all members of the Association, referring to a change in the Key to the Test Word in the Telegraphic Cipher Code and the copy of the new key which was enclosed.

Attention is again called to this matter, as it is very important that those in charge of forwarding code messages should be in possession of the new key. If the key has not been received, a duplicate will be forwarded upon receipt of advice at the office of the Association, 5 Nassau Street, New York City. It is necessary that the key be available at all times, for the code is extensively used by members, now numbering over 23,000. The cooperation of the members in this matter will, therefore, be appreciated.

A list of members complete to December 31, 1920, in pamphlet form, was also forwarded to all members, but if not received another copy will be sent upon request. This list is very useful in determining which banks have the Telegraphic Cipher Code.

Alabama Bankers Convention

The officers elected at the annual convention of the Alabama Bankers Association held in Birmingham, May 19-21, are as follows: President, Oscar Wells, president First National Bank of Birmingham; vice-president, Clyde Hendrix, president Tennessee Valley Bank of Decatur; secretary-treasurer, Henry T. Bartlett, cashier First National Bank of Montgomery.

The officers for the American Bankers Association are: Member Executive Council, E. C. Melvin, Selma (elected 1919); Vice-President for Alabama, A. L. Staples, Mobile; member to serve on Nominating Committee, Foster Hamilton, Ensley; alternate member Nominating Committee, W. R. Hutton, Huntsville; Vice-Presidents for various divisions: Trust Company Division, H. F. Cooper, Selma; Savings Bank Division, P. O. Thomas, Selma; National Bank Division, D. P. Bestor, Jr., Mobile; State Bank Division, W. S. Peebles, Athens.

OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Negotiation to Bank by Thief of Check Indorsed by Depositor to Bank

A depositor opened an account by mail and indorsed and mailed to the bank checks payable to his order, accompanied by his pass book. The bank had never seen the depositor personally. A thief stole from the depositor his pass book and a check so indorsed and on presentation to the bank received part in cash, the rest being credited to the depositor's account. Upon the question of responsibility for the loss as between bank and depositor, Opinion That the bank while a purchaser for value of the check, would nevertheless be the loser, unless it was a holder in due course, which would depend upon whether the Colorado courts will hold (1) that a payee can be such a holder, which is a question of conflict in other jurisdictions, and if so held (2) will also hold that notwithstanding the relation of depositor and banker, the bank under the circumstances was under no duty to inquire as to the identity of the holder as its depositor, before purchasing the check. The outcome of such a case is uncertain, although there is some ground for maintaining that the bank is a holder in due course.

From Colorado—An employee of the Denver and Salt Lake Railroad residing at T————, Colorado, opened an account with our bank in Denver by mail. His signature was mailed to us and all subsequent transactions were carried on by mail. No officer or employee has ever seen this depositor personally. It was his custom to indorse his railroad pay check "Pay to the order of the ———— Bank" and then indorse his name below. He would then fill out a deposit slip, enclose the check and deposit slip in his pass book and mail the same direct to us. Our receiving teller would then check up the deposit; enter the amount in the pass book and mail it back to our depositor in T————. This account was handled in this way for several months.

On one occasion a person appeared at the teller's window with this particular depositor's pass book; his railroad pay check in the sum of $105, indorsed "Pay to the order of the ———— Bank" and duly signed by the depositor himself. The deposit ticket was made out in the depositor's name and carried a deduction of $80 from the the original amount, which was $105. He deposited the $25, had that amount entered in the pass book and went away with the $80 cash. Our teller, inasmuch as the party carried the pass book and check indorsed in the depositor's own handwriting, presumed him to be our depositor.

What really happened was this: Our depositor, who, as an employee of the railroad company, indorsed his pay check as previously stated, placed it in an envelope addressed to us preparatory to mailing for deposit as usual. This letter he placed with other mail on a desk in one of the offices connected with his own department in the railroad round house. He paid no more attention to the matter, as the mail was gathered up by some one and mailed. The thief in this case was also an employee of the railroad company and secured the letter and its contents from the desk some time after it had been left there by our depositor. He then came to Denver; made the deposit and secured the $80 cash as described in the foregoing paragraph.

From the above statement of facts, the question arises as to who should be the loser, the bank or the depositor. Should the bank be the loser under the rule that it is bound to know its depositor or should the depositor be the loser under the rule of negligence, that between two innocent parties the one whose acts or omissions give rise to the negligence should suffer the damage?

We are of the opinion that this is a new, clever and unique way of defrauding a bank and would appreciate a full discussion as to the liability in this case.

This case is one of first impression. I do not find that the courts have ever rendered a decision upon a precisely similar state of facts.

If the bank should be held to have received this $105 check on deposit to the credit of its depositor, then it would be the loser of the $80 paid out, as such money was paid without any valid order from its depositor to one not entitled thereto. In such event the bank would be liable to its depositor for the $80.

But if the bank should be held to have purchased the check of $105, paying therefor $80 to the seller and depositing the remaining $25 to the credit of its depositor, then its liability to its depositor for the $80 would depend upon whether it occupied the status of a holder in due course.

The primary question to settle, therefore, is whether the bank was a depositary or purchaser of this $105 check. I am inclined to think the transaction of acquiring the check was one of purchase, rather than of deposit. Suppose the depositor himself had appeared at the bank with a check payable to his order for $105 and stated that he wanted $80 in cash and the balance to go to his credit and a deposit slip was made out accordingly showing $105 less $80, total deposit $25. All that would be credited to the depositor on the books would be $25 and that, it seems, would constitute the deposit. This conclusion is made clear by the suppositional case where the depositor wants the whole $105 in cash, presenting a check for that amount drawn on another bank, payable to his order, indorsing same and receiving the cash. Here, clearly, the bank would be a purchaser of the check; and it would seem that where he takes part cash and the balance is placed to his credit, the bank is a purchaser of the check and not a depositary thereof, but only of that part of the proceeds which is placed to his credit. The fact that it ultimately turns out that the one offering the check is not the depositor, but a stranger, does not, of course, affect this conclusion.

Proceeding then on the assumption that the bank purchased this check for $105, giving therefor $80 cash to the holder and placing the remaining $25 of the proceeds on deposit to the credit of its depositor, it would still be liable for the $80 to the owner of the check, its real depositor, unless it occupies the status of a holder in due course who would take a better title thereto than the thief who transferred it.

What constitutes a holder in due course is thus defined by the Negotiable Instruments Act:

Sec. 52. A holder in due course is a holder who has taken the instrument under the following conditions:

1. That it is complete and regular upon its face;
2. That he became the holder of it before it was overdue, and without notice that it had been previously dishonored, if such was the fact;
3. That he took it in good faith and for value;
4. That at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it.

What constitutes notice of defect is thus defined:

Sec. 56. To constitute notice of an infirmity in the instrument or defect in the title of the person negotiating the same, the person to whom it is negotiated must have had actual knowledge of the infirmity or defect, or knowledge of such facts that his action in taking the instrument amounted to bad faith.

The rights of a holder in due course are thus defined:

Sec. 57. A holder in due course holds the instrument free from any defect of title of prior parties and free from defenses available to prior parties among themselves, and may enforce payment of the instrument for the full amount thereof against all parties liable thereon.

In the present case, the bank acquired a check which was complete and regular on its face, before it was overdue, for which it gave value, but the following questions arise:

(1) Does the fact that a check is negotiated to an indorsee by one other than the indorser deprive the indorsee of the status of a holder in due course?

(2) If not, does the further fact in this case that the relation between indorser and indorsee was that of depositor and bank, coupled with the peculiar feature that the bank had never seen its depositor personally but had conducted all prior transactions by mail, constitute notice of defect in the title of the person negotiating the check, so as to deprive the bank of like status?

Upon the first proposition: There is a conflict of authority, both at common law and under the Negotiable Instruments Act, whether the payee can be a holder in due course, and the same rules and reasoning would apply between indorser and indorsee. That the payee can be a bona fide purchaser of a negotiable security from one other than the drawer was held, at common law, in Watson *v.* Russell, 3 B. & S. 34; Munroe *v.* Bordier, 8 C. B. 862 and other cases. See also Armstrong *v.* American Bank, 133 U. S. 433, 453. But cases militating against this are Sims *v.* U. S. Trust Co., 103 N. Y. 472, where a depositor, intending to transfer his deposit from one bank to another, drew his check on the one payable to the other which he entrusted to his confidential clerk to deposit with the payee. The clerk, however, negotiated the check to the payee on his own account. The payee was held chargeable with notice of the drawer's rights in the matter. So also in Kuder *v.* Greene, 72 Ark. 504, where a check was drawn payable to another bank and entrusted to a holder, who negotiated the check to the payee as his own, and not in the interest of the drawer, the court held that the form of the check was notice to the payee that the drawer had an interest therein.

There is like conflict under the Negotiable Instruments Act. Decisions in some states are to the effect that the payee cannot be a holder in due course as the instrument cannot be negotiated to him. But the contrary is held in a number of other states and in Brown *v.* Rowan, 154 N. Y. Supp. 1098, the court, citing numerous cases, states that the weight of authority under the Negotiable Instruments Act is to the effect that the payee of a check may be a holder in due course. The case of Boston Steel & Iron Co. *v.* Steurer, 183 Mass. 140, is illustrative. A Mrs. Steurer drew her check for $200 payable to a steel company and handed it to her husband to pay a debt to become due by her to the steel company, but it was fraudulently handed by the husband to the payee in payment of his own individual debt to the company. In this case it was held the payee was a bona fide purchaser for value without notice and the drawer could not set up her husband's fraud in defense of the check nor maintain an action for money had and received after payment of it, on discovering the fraud. The same rule is doubtless applicable between indorser and indorsee.

In all the cases in which the rule has been applied, however, the instrument has been entrusted by the drawer or maker to the holder for delivery to the payee, while in the present case it was stolen from the indorser by the holder who negotiated it to the indorsee. This, however, would not affect the application of the rule because under the Negotiable Instruments Act "where the instrument is in the hands of a holder in due course, a valid delivery by all parties prior to him so as to make them liable to him is conclusively presumed."

Were this an ordinary case, therefore, where a check is indorsed by A to B and is negotiated to B by a third person for full value without notice, the question whether B would have the status of a holder in due course would depend upon which of the two conflicting views the courts of your state would adopt. But in the present case the relation between indorser and indorsee was that of depositor and bank with the peculiar feature that the bank had never seen its depositor personally but all prior transactions had been by mail.

This raises the further question whether this peculiar relation of itself imposed any duty of inquiry upon the bank when a person, whom it supposed to be its depositor, appeared at the bank with a check bearing his genuine indorsement and negotiated same for part cash and part credit to its depositor's account? Did the bank have the right to assume that the stranger was its depositor or was it under duty to require him to identify himself by making his signature anew for purpose of comparison or by answering certain test questions which would establish his identity?

In this case the bank was purchasing a check from a person whom it supposed was its depositor, and this supposition was fortified by the fact that the person possessed the pass book and a check with the depositor's genuine indorsement. Under such circumstances, unless it be held that the bank was bound to know its depositor—as distinguished from being bound to know his signature—it is doubtful if a court would hold there was a duty of inquiry, the failure to make which would charge the bank with knowledge of what the inquiry would disclose, namely, that the holder was not its depositor and that his title was defective.

True it might be held that where a mail depositor, unknown to the bank except by signature, first ap-

pears at the bank personally, the bank should do something to establish his identity, but it would seem that a depositor might presumptively establish his identity by possession of pass book and check with his genuine signature and that a bank might rely on such evidence of identity without making further inquiry. It will require a court decision to settle such a point.

There is a further fact to be considered in this case, namely, that the depositor contributed to this fraud to the extent that, instead of himself placing the check in the mail, he left the indorsed check in an envelope addressed to the bank with other mail on a desk in one of the offices connected with his own department in the railroad roundhouse. This gave the opportunity to the thief to take it from the desk. Whether this would, or would not, be regarded as a careless or negligent act, it was an act which contributed to the fraud and might present a case for the application of the rule that where one of two innocent parties must suffer for the fraud of a third, he who has placed it in the power of the third person to commit the fraud must bear the loss. This rule would probably not apply if it should be held that there was greater negligence on the part of the bank in purchasing the check without inquiry than on the part of the depositor in leaving it where it might be stolen.

In conclusion, the question of the liability of the bank in this case is not free from doubt. I think it would be held that the bank was a purchaser of this check and not a depositary, but whether the Colorado courts would hold that the payee of a negotiable instrument (in this case the indorsee) can be a holder in due course and, if so, they would further hold that there was no duty of inquiry on the bank in this case which would charge it with notice of defect and deprive it of the status of a bona fide holder, is uncertain. The court would have to decide both questions in the affirmative to entitle the bank to the rights of a holder in due course. The most that can be said is that under all the circumstances there is some ground for maintaining that the bank in this case is a holder in due course and as such is not liable to its depositor for the $80 paid to the thief upon the check.

Negotiation of Post-Dated Check

A post-dated check is negotiable before the day of its date and a bank which credits such a check to its customer's account and pays out the proceeds is not put on inquiry because of negotiation prior to its date, but is a holder in due course and may enforce payment from the drawer at or after maturity, notwithstanding he has stopped payment because of the payee's fraud.

From Ohio—A gives B a check on some poultry which B is shipping to A. Before the poultry arrives, B comes to A and says that he got more poultry than he expected, and wants A to give him another check, which he did on January 5, and dated the check January 7, being rather suspicious that B was shipping him as much poultry as he stated. B takes the check to his bank on January 5 for credit, as he had a number of checks presented for payment that day and did not have sufficient funds to pay them. His bankers called his attention to the fact that the check was dated January 7, but not having any other funds to deposit, his bank finally accepted the check in order that B might have a credit which would enable them to pay his checks that were presented, stating to B that the check would not reach its destination before the 7th. On January 6, A stops payment on his check given to B, which check was returned unpaid, duly protested, and B did not have sufficient balance in his account to enable his bank to charge up the check; therefore B's bank threatens A with suit to recover the $2,000. Can B's bank do this when they accepted the check two days before the date of it? Or, in other words, are they innocent purchasers, by reason of accepting the check two days before the date of it?

I think B's bank is a holder in due course of this post-dated check and has the right to recover the full amount from the drawer A notwithstanding he has stopped payment because of the payee's fraud.

Under the Negotiable Instruments Act, an instrument is not invalid because it is post-dated, provided it is not done for an illegal or fraudulent purpose; a post-dated check is negotiable prior to its date and an indorsee for value is not put on inquiry because of negotiation of such a check prior to its date. Albert *v.* Hoffman, 117 N. Y. Supp. 1043; Triphonoff *v.* Sweeney, 130 Pac. (Ore.) 979.

B's bank gave value for this post-dated check by crediting the same to B's account and using the proceeds to pay B's previously drawn checks, and under the Negotiable Instruments Act B's bank is a holder in due course entitled to enforce payment of the check from the drawer at or after maturity free from his defense against the payee B. The fact that the drawer stopped payment does not affect the right of recovery of B's bank.

Collection of Certificate of Deposit

A Montana bank issued its certificate of deposit payable to the X Company, such certificate bearing the indorsement in blank of a person in North Dakota. Just prior to maturity, the owner entrusted the certificate to a Minnesota bank for collection, which forwarded it direct to the issuing bank, which remitted a draft for its proceeds, but the issuing bank closed its doors and the draft was not paid. Opinion: The indorser was discharged either because the certificate would be held paid, or if not paid, by omission of notice of dishonor, and the liability of the Minnesota bank to the owner will depend upon whether there was another bank in the town of the issuing bank. If so, it was negligent in forwarding the certificate direct to the issuing bank, but if the latter was the only bank in the place, such method of forwarding is authorized by statute in Minnesota and in such case the sole remedy of the owner would be a claim on the assets of the issuing bank.

From Minnesota—We were the purchasers of a certificate of deposit issued by a bank in Montana, which certificate is indorsed in blank by one of the financially responsible parties interested in the bank, living in North Dakota, the certificate being made payable to us. The day before the certificate became due we deposited the same with our correspondent bank in Minnesota for collection and the correspondent bank in due course sent it for collection to the issuing bank. In the course of ten days the correspondent bank advised that they had not as yet received returns on the certificate, and a few days later they again advised that they had not received returns on the certificate, and again a few days later they advised that they had received a draft in settlement of the certificate, but that the draft was not good. Within a few days more we were advised that the bank issuing the certificate had closed its doors and the draft is still not good. We requested of the correspondent bank that they return the certificate, as we wish to hold the guarantor, who is a man of responsibility, and they advised

that in all probability the certificate in question was cancelled when the draft was issued and that in the usual course of business it would be stamped "paid" and run through the books as having been paid. The question is, how are we going to proceed to get our money and what is the responsibility attaching to the correspondent bank in the premises? Also can there be any question about the responsibility of the indorser? Might add that the certificate having been paid by draft, the instrument was not protested, but the indorsement of the individual having been made before delivery of the instrument to us, we understand, makes him responsible as a joint maker.

Under the facts stated, the indorser on this certificate of deposit has been discharged from liability, and assuming the issuing bank in Montana to whom the certificate of deposit was forwarded by your correspondent in Minnesota was the only bank in the town, there would be no liability of or recourse upon such correspondent bank and your only procedure to obtain your money on the certificate of deposit in question would be by proving claim against the assets of the failed issuing bank. If, however, there was another bank in the town of the issuing bank, then, under the law of Minnesota, it was negligent for your Minnesota correspondent to forward such certificate direct to the issuing bank and your correspondent would be liable to you for the resulting loss. The following reference to the law is made in support of the above conclusions.

First as to the liability of the indorser. Prior to the Negotiable Instruments Act, a person not an original party to the instrument who indorsed same prior to delivery to the payee was variously held by the courts of different states a joint maker, surety, guarantor or indorser. But under the Negotiable Instruments Act (which is in force in the state of the indorser North Dakota, as well as in every state of the Union except Georgia) such person is liable as indorser. See Section 64, Negotiable Instruments Act; Section 5876, Minnesota General Statutes.

An indorser is discharged by payment or in case of non-payment, his liability is conditioned upon due demand and notice of dishonor. Presumably, in this case, the certificate of deposit would be held to have been paid. In Winchester Milling Co. *v.* Bank of Winchester, 111 S. W. (Tenn.) 248, a check was forwarded direct to the drawee, which marked the same "paid" and returned it to the drawer and drew its own remittance draft, which was dishonored. The court held that the drawer of the original check was discharged by this mode of settlement. In other words, the check was paid. But even should it be held that in the present case the certificate of deposit was not paid where the remittance draft issued therefor was dishonored, the indorser nevertheless has been discharged by failure to charge him with liability by giving due notice of dishonor. The indorser, therefore, has been discharged from liability either by payment or in the event the certificate would be held not to have been paid, by the omission of due notice of dishonor.

Coming now to the liability of the correspondent bank in Minnesota which forwarded the certificate direct to the issuing bank for payment. In Minneapolis Sash & Door Co. *v.* Metropolitan Bank, 78 N. W. (Minn.) 980, it was held that it is negligence for a collecting bank to send an item direct to the payor and that a universal custom of banks to send checks to the drawee directly in case there is no other bank of good standing in the same town will not justify such a course of procedure. In case of loss through the bad conduct of the drawee, the sending bank is liable.

But by Chapter 319, Laws of Minnesota, 1919, approved April 21, 1919, the law was changed by the enactment of the following statute:

"Any bank, banker or trust company, hereinafter called bank, organized under the laws of, or doing business in this state, receiving for collection or deposit any check, note or other negotiable instrument, drawn upon or payable at any other bank located in another village, town or city, whether within or without this state (such bank being the only bank in such village, town or city), may forward such instrument for collection directly to the bank on which it is drawn or at which it is made payable, and such method of forwarding direct to the payor bank shall not render the forwarding bank liable, if such payor bank, because of its insolvency or other default, fails to account for the proceeds thereof; provided, however, that such forwarding bank shall have used due diligence in all other respects in connection with the collection of such instrument."

It will be seen from the above that if the issuing bank in Montana was the only bank in the town, your correspondent was authorized by statute to forward the certificate direct to that bank for payment without incurring liability; but if there was one or more other banks in the same town, then the statute did not authorize your Minnesota correspondent to send the certificate direct to the issuing bank and the judicial law of Minnesota as proclaimed in the Minneapolis Sash & Door Co. case would apply and make your Minnesota correspondent liable for any resultant loss.

Reasonable Time for Negotiation of Demand Note

Where A gave B a demand note which B negotiated to C four months after its date and A defends payment on the ground that twelve days after its date he paid the note to B without taking same up, believing B's statement that it was destroyed, C's right of recovery against A free from defense of payment to B will depend upon whether the negotiation four months after date was within a reasonable time so as to constitute C a holder in due course, and this is a question for the decision of a jury under the facts of the particular case.

From West Virginia—Under date of July 1, 1920, A gives to B a note for $2,500, payable on demand at any bank in a certain city. On November 3, 1920, B presents his note to us for discount with A's note attached as collateral, which we discount for thirty days, and on December 3 we permit a renewal for another thirty days. After the renewal it soon develops that B is insolvent and has disappeared. We then demand payment of A's note; whereupon A refuses to make payment, stating, first, that he had previously given his check to B in payment of the note given us as collateral, and that B made the statement to A that he (B) had destroyed A's note, and A says he told B that was all right, and dismissed the matter from his mind till we made demand for payment; second, A says he does not wish to have to make a second payment of the obligation unless forced to do so, and A's attorney advises that he does not believe the note was negotiable when we took it on November 3, and that we are not, therefore, a holder in due course.

It seems that the Negotiable Instruments Law says that a demand note must be negotiated within a reasonable length of time; otherwise the holder ceases to be a holder in due course.

Your opinion in the above matter will be very highly appreciated. It appears to us that we have a good case against A on three points, viz.: First, we do not believe four months to be an unreasonable length of time in which to negotiate a demand

note; second, it is questionable as to whether or not A can establish sufficient proof of his off-set in the way of payment, as his check does not state for what purpose it was given to B, and it was for exactly $2,500 on July 12, whereas it would be reasonable to assume that if he had paid the note twelve days after date with a check, the check would have included twelve days' interest, and we believe the only witness by whom he could prove payment is B, and he cannot be found; third, and last, by unwarranted, unusual and unreasonable negligence on the part of A, and by an absolute failure on his part to perform his duty, he (A) made it possible for an innocent party to suffer for the negligence of A and the dishonesty of B.

A reply in detail covering all the above points will be very highly appreciated, and we would like also to have you cite decisions of similar cases in other states, as this particular point does not seem to have yet been in the courts of West Virginia.

The main question presented is whether negotiation of A's demand note by B, the payee, four months after its date was within reasonable time so as to constitute the purchaser a holder in due course with right of enforcement free from defense of the maker that he had paid the note to the original payee, before its negotiation, without taking up the note.

The rule at common law is that paper payable on demand is not overdue for the purpose of transfer until after the lack of a reasonable time, and that it is then overdue; and the Negotiable Instruments Act expressly provides that where an instrument payable on demand is negotiated an unreasonable length of time after its issue, the holder is not deemed a holder in due course.

The Act also provides that in determining what is a reasonable time, regard is to be had to the nature of the instrument and the facts of the particular case.

There is an unfortunate lack of unanimity among the authorities as to the precise period of time at which a demand instrument becomes overdue so that its transfer thereafter is subject to equities. For example, paper payable on demand has been held not to be overdue, under the circumstances of the particular case, when transferred in one day (Poorman *v.* Mills, 39 Cal. 345); two days (Dennett *v.* Wyman, 13 Vt. 485); five days (Stewart *v.* Smith, 28 Ill. 397); seven days (Seaver *v.* Lincoln, 21 Pick. [Mass.] 267); twenty-three days (Mitchell *v.* Catchings, 23 Fed. 71); one month (Ranger *v.* Cary, 1 Metc. [Mass.] 369); five weeks (Wethey *v.* Andrews, 3 Hill [N. Y.] 582); five months, (Sanford *v.* Mickles, 4 Johns. [N. Y.] 224); ten months (Chartered Mercantile Bank *v.* Dickson, L. R. 3 P. C. 574); or two years (Tomlinson Carriage Co. *v.* Kinsella, 31 Conn. 268 [holding that the time when such a note is to be regarded as overdue must depend upon the particular circumstances, indicating the intention and understanding of the parties; and that this is properly a question of fact, to be determined by the jury]).

On the other hand, such paper has been held overdue in two months (Camp *v.* Scott, 14 Vt. 387); ten weeks (Losee *v.* Dunkin, 7 Johns. [N. Y.] 70); three months (Herrick *v.* Woolverton, 41 N. Y. 581); four months (La Due *v.* Kasson First Nat. Bank, 31 Minn. 33); five months (Bull *v.* Kasson First Nat. Bank, 14 Fed. 612 [rev'd. in 123 U. S. 105, on ground that drawer was not injured]); six months (Thompson *v.* Hale, 6 Pick. [Mass.] 259); eight months (American Bank *v.* Jenness, 2 Metc. [Mass.] 288); ten months (Emerson *v.* Crocker, 5 N. H. 159); one year (McAdam *v.* Grand Forks Mercantile Co., 24 N. Dak. 645, 140 N. W. 725 [holding that "it is well established that a note payable on demand is due within a reasonable time after its date, and there are practically no authorities which hold that such reasonable time can be extended beyond a year."]); thirteen months (Cross *v.* Brown, 51 N. H. 486); fourteen months (Wylie *v.* Cotter, 170 Mass. 356); two years (Loomis *v.* Pulver, 9 Johns. [N. Y.] 244); three years (Shirley *v.* Todd, 9 Me. 83); four years (Miller *v.* Del Rio Min. etc. Co., 25 Ida. 83, 136 Pac. 448); or six years (Gregg *v.* Union County Nat. Bank, 87 Ind. 238).

I find no West Virginia cases upon the proposition.

In the case of Philpott's Estate, 151 N. W. 824, decided under the Negotiable Instruments Act, it was held that whether a demand note negotiated six months after date was negotiated an unreasonable length of time after its issue so that the holder was not a holder in due course was a question for the jury in view of the provision of the Act requiring the facts of the particular case to be considered in determining what is a reasonable time. In that case the plaintiff claimed as a holder in due course and a defense was pleaded, good as against the payee. The trial court directed a verdict for the plaintiff on the ground that he was a holder in due course. On appeal, this was reversed. The Supreme Court, after citing the conflicting authorities, said: "There is, however, no definite rule to be applied and among other elements 'the facts of the particular case are to be considered.' It is clear, therefore, that the defendant was entitled to go to the jury on this question if upon no other."

In your case, therefore, the question whether the transfer to you for value on November 3 of a demand note dated July 1 was within a reasonable time after its issue is a question of fact to be passed upon by a jury under proper instructions from the court. If a jury can be made to believe and to find that the transfer of the note to your bank, four months after its date, was within a reasonable time under the particular facts of the case, you will be entitled to recover. If, however, the jury finds that the note was transferred an unreasonable length of time after its issue, then it would be subject in your hands to the same defense as in the hands of the payee. The maker's defense would be payment and his proof would be his check for the amount of the note given twelve days after its issue and his testimony that the note was not taken up because he believed the payee's statement that it had been destroyed. I think this would be sufficient proof to convince a jury that he had paid the note, and the fact that twelve days' interest was not included in the check would not be of material significance, as the note did not bear interest. Nor would the fact that he omitted to take up the note estop him from pleading and proving payment if the note was not in the hands of a holder in due course. I think, therefore, your sole ground of recovery upon this note will depend upon whether a jury should find it was negotiated within a reasonable time after its issue so as to constitute your bank a holder in due course.

Forged Endorsement of Pay-Roll Check

Where a bank was in the habit of cashing for payees the pay-roll checks of a corporation, and in view of the fact that such checks were cashed for strangers, without identification, and to afford better protection, it wrote the corporation requesting that the bank be notified of any stop order as soon as filed, to which request the corporation replied that it was glad to cooperate, and thereafter the bank cashed a check on a forged indorsement upon which the corporation had four days earlier received a stop order but failed to notify the bank. Opinion: That the bank, acquiring the check under forged indorsement, took no title and cannot recover of the corporation, for, although its promise, which might reasonably be interpreted as one to give prompt notice of stop orders, was broken, such promise was not supported by a sufficient consideration to create a liability.

From Illinois—There are three contracting firms three miles from this town doing government work and they pay their employees by check and we have made it a practice to cash these pay-roll checks without identification, for the convenience of these strangers and also to help business in this town.

In order to secure a little protection we wrote to these firms asking if they would cooperate with us in detecting fraud and swindlers by letting us know when any orders for stop payment come into their office, to which they replied they would gladly do so.

An order for stop payment was placed with them on Friday and we cashed that stop payment check the following Tuesday, not being notified by the company at all—the first we knew about it was through a protest notice. We wrote them again, asking to hold up duplicate check until we could investigate if the payee of said check was connected with this fraud, but they paid no attention to our request and issued duplicate to payee.

Now we would like to know your opinion in regard to our chances in collecting the amount from the company. We enclose herewith copies of letters which I believe constitute a contract. (Letters enclosed. From Bank: "We are cashing your pay-roll checks for strangers and beg your cooperation in detecting swindlers and defrauders, by informing us of stop payment orders as soon as they are filed. As this stop payment game has been worked in other parts of the country I presume it will be worked here sooner or later and this is about the only thing we dread. Therefore your cooperation in this matter will be greatly appreciated. Any expense incurred by you in assisting us we will gladly pay it." From Corporation: "We beg to acknowledge receipt of your communication of December 20 relative to cashing pay checks of E. L. S. & Co., and in reply wish to say that we are glad to cooperate with you in the matter and do all we can to avoid fraud and swindling in connection with pay checks.")

A bank which cashes a check for a stranger without identification, on his representation that he is the payee, takes the risk, of course, that the stranger may not be the true payee but his indorsement a forgery, in which event the bank would acquire no title and would be the loser.

In the present case, the bank, which as I understand was not the drawee of these pay-roll checks but was in the habit of purchasing same for the convenience of payees, foreseeing this risk and seeking to minimize same, wrote the issuing corporation asking their "cooperation in detecting swindlers and defrauders by informing us of stop payment orders as soon as they are filed" and the corporation replied that "we are glad to cooperate with you in the matter and do all we can to avoid fraud and swindling in connection with pay checks."

This raises two questions: (1) Was there a promise to give prompt notice of a stopped check which was broken in the present instance? (2) Was such promise supported by a sufficient consideration?

Upon the first question the bank informed the corporation it was in the habit of cashing its pay-roll checks for strangers and asked its cooperation by informing it of stop payment orders as soon as filed. The corporation replied acknowledging receipt of this request and stating, "We are glad to cooperate with you." Reasonably interpreted, this letter of the corporation acceded to the request of the bank and was virtually a promise that whenever it received a stop payment order on one of its checks, it would notify the bank thereof as soon as filed. In the present instance, it did not do this and the bank cashed such a check to its detriment four days later. It would seem, therefore, that the promise was broken.

Then the question arises was the promise supported by sufficient consideration? The requirement ordinarily stated for the sufficiency of a consideration to support a promise as a binding contract is that there must be some benefit to the promisor or some detriment to the promisee. In the present case there would be no benefit to the promisor unless the affording of a facility to its workmen for the cashing of their pay-roll checks would be so held. Concerning detriment to the promisee, this "means giving up something which the promisee had a right to keep or doing something which he had a right not to do * * * it would be a detriment to the promisee, in a legal sense, if he, at the request of the promisor and upon the strength of that promise, had performed any act which could have occasioned him the slightest trouble or inconvenience and which he was not obliged to perform." Williston on Contracts, Sec. 102 (a). But in the present case the bank was not obliged to cash these checks and it was in the habit of doing so before the promise was made. Had the corporation requested it to cash the checks and made the promise in connection therewith, the cashing of such checks would have been a giving up of something in reliance upon the letter and would have been a detriment; but it was doing this of its own volition and unless it could be shown that it would not have continued to do so except in reliance upon the letter of the corporation, I doubt if it would be held that the promise was upon a sufficient consideration. Many cases hold that a detriment incurred in reliance on a promise is not a valid consideration unless the detriment was requested as consideration. Williston on Contracts, Sec. 139, and cases cited. I think in the present case, therefore, that the chance of collecting the amount of this check from the company is not very good, for even though it made a promise to advise you as soon as a stop order was filed, which promise it did not keep, there would seem to be a want of valid consideration to support such promise because it did not request you to cash the checks and make the promise in pursuance of such request, nor would it seem that the cashing of such checks by you was of any real benefit to the corporation.

Cashier's Check in Payment of Check to Stranger Payee

A check is presented for payment by a stranger who represents himself to be the payee. The bank makes pay-

ment by the issue and delivery to the stranger of a cashier's check payable to the person named as payee in the original check. In such case, where the person presenting is an impostor and not the true payee of the original check, his negotiation of the cashier's check by indorsement of the name of the true payee of the original check is by the precise person intended, and the bank is liable thereon to an innocent purchaser.

From Oklahoma—We are laboring under the impression that we have seen, somewhere, a recent and interesting decision touching the liability of a bank which issues, without identification, its obligation payable to the order of an individual who is named as payee of another instrument which he presents for payment. For instance, we are frequently called upon to issue our New York draft or cashier's check to an individual in lieu of a draft or cashier's check of some other institution, payable to the order of an individual unknown to us and unable to identify himself. What we desire to know is, what is our liability in case our obligation is issued to him? We are unable to locate where we have seen the decision referred to. Your reference to such decision or opinion on the question of the liability of the bank in such case will be appreciated.

The case you refer to is doubtless Montgomery Garage Co. *v.* Manufacturers' Liability Ins. Co., 109 Atl. (N. J.) 296. In that case one Ennis, representing himself to be N. K. Turner, the payee of a check, delivered the check to an insurance company and in exchange received a check drawn by the insurance company payable to N. K. Turner, which he indorsed in that name and negotiated for value to a garage company. In an action by the purchaser against the drawer, the court held the latter liable and, citing numerous authorities, held the following to be the rule governing such a case: "Where the drawer of a check delivers it, for a consideration which turns out to be fraudulent, to an impostor under the belief that he is the person whose name he has assumed and to whose order the check is made payable, a bona fide holder for a valuable consideration, paid to the impostor upon his indorsement of the payee's name, is entitled to recover from the drawer; it appearing that the person to whom the check was delivered was the very person whom the drawer intended should indorse it and receive the money, and that the drawer made no inquiry before issuing the check concerning the identity or credit of the named payee, who was unknown to the drawer."

Discussing the case the court said: "In the present case the plaintiff has merely carried out the drawer's intent. In other cases of fraudulent impersonation the drawer is sometimes said to have a double intent: First, to make the check payable to the person before him; and, secondly, to make it payable to the person whom he believes the stranger to be. But the courts have almost unanimously held that the first is the controlling intent, except where the named payee was already known to the drawer, as in Cundy *v.* Lindsay, 3 A. C. 459, and Rossi *v.* Nat. Bank, 71 Mo. App. 150, or was more particularly identified in some manner, e. g., by some designation, description, or title, as in the case of Mercantile Nat. Bank *v.* Silverman, 148 App. Div. 1, 132 N. Y. Supp. 1017, none of which factors are present in the case at bar. A man's name is the verbal designation by which he is known, but the man's visible presence is a surer means of identification. In the case at bar, if the plaintiff, before cashing the check, had sent for and asked the drawer whether or not the person presenting the check was the person to whom it was intended to be paid, the answer would have been in the affirmative. Of course the drawer was deceived as to the name of the man it was dealing with, but it dealt with, and intended to deal with, the visible man who stood before it, identified by sight and hearing. Thinking this man's name was N. K. Turner, it drew a check to N. K. Turner's order, intending thereby to designate the person standing before it. Clearly, therefore, the plaintiff has simply paid the money to the person to whom the drawer intended it should be paid. Now either the plaintiff or the defendant must suffer the loss. Both were innocent parties, and the loss justly falls upon the defendant, whose mistake in issuing the check facilitated the fraud and primarily made such loss possible. Such was undoubtedly the law prior to the Negotiable Instruments Act. By Section 23 of that Act (C. S. p. 3738), 'where a signature is forged or made without the authority of the person whose signature it purports to be, it is wholly inoperative,' except as against a party who 'is precluded from setting up the forgery or want of authority.' If we assume that the indorsement in the present case was a forgery or without authority, within the meaning of that section, still in the light of the cases herein referred to, the drawer 'is precluded from setting up the forgery or want of authority,' and so the signature is not inoperative as to him, and the law remains unchanged."

Certificate of Deposit to Fictitious Payee

Where an impostor, A, through fraud, obtains from a bank a certificate of deposit payable to B, the latter being fictitious, and A indorses the name of B and negotiates the certificate to an innocent purchaser, Opinion: That under the majority of decisions the purchaser acquired no title and cannot hold the issuing bank liable thereon, as the certificate cannot be construed as payable to bearer, nor was it indorsed by the person to whom the bank intended to make payment.

From Utah—One Jack McGraw opened an account with us in October, 1920. He was identified by one of our business men and on December 20 he deposited a check for $842 drawn on a bank in the northern part of the state. During the morning of December 24 he came into the bank and obtained a demand C. D. for $400 payable to one Dan Gibson, whom he said resided in Ogden. That afternoon we learned from the bank on which the $842 check was drawn that the check was a forgery. It develops that on the 25th of December he, Jack McGraw, registered at a hotel in Salt Lake City as Dan Gibson, and on the 27th he cashed this said certificate and indorsed the same as Dan Gibson. The certificate came regularly through the Salt Lake Clearing House and we refused payment because the indorsement was the handwriting of Jack McGraw, and thus he had forged the name of Dan Gibson. Now, as to Gibson, we do not know whether he is a real person or fictitious, but we have McGraw's signature in the bank and the indorsement of Gibson is written by McGraw. Are we justified in the refusal to pay the certificate on a forged indorsement?

The question is as to the liability of your bank to an innocent purchaser of the certificate of deposit for $400 payable to the order of Dan Gibson, the payee's name being indorsed by Jack McGraw, upon which you refused payment.

Assuming Dan Gibson is a real person, you would not, of course, be liable, as the indorsement of the payee's name by Jack McGraw

would be a forgery and no title could be acquired thereunder by a purchaser.

But assuming, which is most likely to be the fact, that Dan Gibson is a fictitious person and a name created by Jack McGraw the better to serve his purposes, even here I am of opinion that your bank would not be held liable on this certificate, as, under the weight of authority, it would not be construed as payable to bearer, nor would the indorsement of the payee's name by Jack McGraw be held to be an indorsement by the person to whom you intended to pay the money; hence the innocent purchaser would acquire no title or right of enforcement, either on the ground that the instrument was payable to bearer or that he had acquired same through authorized indorsement.

The Negotiable Instruments Act provides: "The instrument is payable to bearer * * * (3) when it is payable to the order of a fictitious or non-existing person and such fact was known to the person making it so payable."

In Shipman *v.* Bank, 126 N. Y. 318, where a confidential clerk of the drawer made checks out to fictitious and non-existing payees, which the drawer signed, and the clerk forged the names of the payees and negotiated the checks which were paid by the drawee, it was held that the maker of the checks was not liable. They were not payable to bearer because the maker did not know of the fiction and the indorsement of the names of the payees constituted the crime of forgery.

In United Cigar Stores Co. *v.* American Raw Silk Co., 171 N. Y. Supp. 480, a soliciting impostor induced a person to draw a check to his alleged principal who was a fictitious person. It was held, following the Shipman case, that the maker was not liable to an innocent purchaser to whom the check had been negotiated upon indorsement of the purported payee. The court said that it was not important whether the indorsing of the check by the impostor constituted forgery. As long as the check was not indorsed by the intended payee no title passed and the check was not in effect payable to bearer because the maker had no knowledge that the payee was fictitious.

To the same effect is Mercantile National Bank *v.* Silverman, 132 N. Y. Supp. 1017, and National Surety Co. *v.* National City Bank, 172 N. Y. Supp. 413, in both of which cases the checks were made payable to fictitious names upon the representation of an impostor and negotiated through indorsement of such names by the impostor, the indorsements being held forgeries and the makers not liable.

So also in Padgett *v.* Young County, 204 S. W. (Tex.) 1046, the court said:

> "If a check is drawn upon the bank in favor of a fictitious person, but whom the drawer in good faith and without fault upon his part believes to be a real person, and such check is fraudulently indorsed by another in the name of the payee, such indorsement is a forgery, and the payment of the check cannot operate as a payment of any part of the debt owing to the depositor."

There are one or two cases which would seemingly detract from the foregoing conclusions, but they have been distinguished in the New York cases above cited. Thus in Hartford *v.* Greenwich Bank, 142 N. Y. Supp. 387 (affirmed by the Court of Appeals on the opinion of court below, 109 N. E. 1077), one Ripinski, an employee of a tea company, created a fictitious person named James Wilson, having bill-heads printed and a post-office box rented in the name of that person. Ripinski, representing to the tea company that Wilson had sold goods to the company, presented bills in that name which he audited, and checks were mailed payable to James Wilson, who indorsed them in that name and they were collected through a bank. In this case the drawer of the checks was held liable on the ground that they "were paid to the very person to whom the tea company intended they should be paid, viz.: the person from whom it believed it had purchased goods * * * having been cheated into the belief that it had purchased goods from and owed money to one James Wilson. It intended when it uttered the check that it should be paid to the person from whom, as it then believed, it had made the purchase. That person was the identical person to whom the checks were paid. This is not strictly speaking the case of a check drawn to a fictitious or non-existing person. There was an actual person calling himself James Wilson, although that was not his real name, and it was that person to whom the tea company intended its checks should be paid."

The theory upon which the maker of the checks was held liable in this case was that although they were not in effect payable to bearer, still there was no forgery of the indorsement, as they were indorsed by the precise person to whom the drawer intended to make payment. To the same effect is P. & G. Card and Paper Co. *v.* Fifth National Bank, 172 N. Y. Supp. 688.

The court in National Surety Co. *v.* National City Bank, supra, distinguishes the Hartford case from the line of cases first cited. It points out that the maker would be liable if, as in the Hartford case, he draws the instrument "with intent that it shall be paid to the payee named therein, even though the name be assumed by another person; the instrument being delivered to the person who has assumed that name." But where, as in Mercantile National Bank *v.* Silverman, checks were drawn intended for a certain person who was fictitious and the person who procured and indorsed them did not purport to be such person, nor did he assume the name of such person, under such circumstances, no liability could attach to the maker. Also in the United Cigar Stores case the person who indorsed and obtained the check did not purport to be the person for whom the check was intended. He did not assume the name. Therefore, the maker being ignorant of the fact that the name of the payee was fictitious and the check not having come into possession or been indorsed by the person intended or by any one assuming to be that person, the maker was not estopped to deny liability.

Your case falls within this category. You did not know Dan Gibson was a fictitious person, hence your certificate of deposit was not in legal effect payable to bearer, nor when you made the certificate payable to Dan Gibson did you intend to make it payable to Jack McGraw. The latter did not assume to you to be Dan Gibson. Hence his indorsement was a forgery and not by the person to whom you intended to make the certificate payable. It would seem to follow, therefore, that an innocent purchaser of this

certificate derived no title thereto and cannot hold your bank liable.

Collection of Checks

Where checks are forwarded the drawee for collection and are not paid because not on a list of checks which the drawer has given the bank with instructions to pay such checks and no others, the duty of the drawee as collecting agent is to give prompt notice of dishonor to its principal and to return the checks, also protesting them where there are prior parties to be held, and it will be liable to its principal for any damages sustained by failure to perform such duty.

From Pennsylvania—On March 1, 1921, we sent to another bank in this town two checks for collection. Since that date we have noticed that other checks for larger amounts than the ones we sent for collection were paid, but we received no advice in regard to our items. A few days ago we inquired of the bank why this was and were notified that when this party (the drawer) makes deposits he gives them a list of the checks he wishes paid, with instructions to pay no others. Since the checks were not protested and returned to us, shouldn't they have been paid before checks of more recent date were paid? Can a party give checks promiscuously and then later decide to pay some and leave the others go without some reason for so doing? Isn't a bank assuming a very dangerous practice in allowing a customer to continue in this way?

Where a bank receives a deposit with instructions to apply only on certain specified checks, it must obey such instructions if it receives the deposit at all. Judy *v.* Farmers & Traders Bank, 81 Mo. 404; Myers *v.* Twelfth Ward Bank, 58 N. Y. Supp. 1065; Dolph *v.* Cross, 133 N. W. (Iowa) 669. But it would seem an unbusinesslike practice for a customer to continually issue checks for more than his balance and then give the bank a list of checks to which, only, his deposit was to be applied, and considerations of sound business policy should dictate to the banker that he insist that such practice be discontinued or the account be closed.

So far as the relation of the bank to the holder of the checks which have been sent for collection and discriminated against is concerned, the following considerations apply: If such checks were presented by an independent agent, the bank's sole function would be to refuse payment. But in the case stated they are forwarded by mail and the drawee assumes the duty of agent for the holder. When a check is forwarded to the drawee for collection its duty as collector is to present the check for payment and its duty as drawee is to pay the check if the drawer has a sufficient deposit. First Nat. Bank *v.* First Nat. Bank, 154 S. W. (Tenn.) 965. Where, as in this case, there is no deposit applicable to the check, it is the duty of the collecting bank to give prompt notice of the dishonor to its principal. (Jefferson County Savings Bank *v.* Hendrix, 39 So. [Ala.] 295); also to protest for non-payment in cases where this formality is required to preserve the rights of the owner against parties to the check or where it has been instructed to protest. Chapman *v.* McCrea, 63 Ind. 360; McBride *v.* Illinois Nat. Bank, 121 N. Y. Supp. 1041. For failure of this duty it is liable for any resulting loss.

In the case stated by you, checks forwarded for collection were not protested and returned and the drawee bank, on inquiry, notified you that it had been instructed not to pay any checks except those contained on a list given it by its customer. It was the clear duty of the drawee bank in such a situation to promptly return the checks with notice of their non-payment and probably, also, to protest same. If any loss has resulted from neglect of this duty, the drawee bank would be clearly liable.

It was at one time held in Pennsylvania (Wisner *v.* First Nat. Bank, 68 Atl. [Pa.] 955) that Section 137 of the Negotiable Instruments Act, which provides that

> "Where a drawee to whom a bill is delivered for acceptance * * * refuses within twenty-four hours * * * to return the bill accepted or non-accepted to the holder, he will be deemed to have accepted the same,"

applied to a check and that failure or neglect to return a check to the holder or the collecting bank within twenty-four hours after delivery to the drawee bank was a refusal within the meaning of Section 137. But the decision in the Wisner case was promptly followed by Act of April 27, 1909 (P. L. 260), amending Section 137 of the Act of 1901, and providing that the mere retention of a bill by the drawee, unless its return has been demanded, will not amount to an acceptance, further, "that the provisions of this section shall not apply to checks."

While the drawee of these checks cannot be held to have accepted same, by reason of their retention, still it would be liable as collecting agent for any damages sustained by failure to promptly protest and return the checks.

Unstamped Note Not "Complete and Regular on Its Face"

A farmer in Iowa made a note to his own order which he indorsed in blank. It was offered for sale by another person who did not indorse it. The note did not have affixed the necessary revenue stamps and these were put on by the purchaser and cancelled. The farmer has a defense to the note. Opinion: Under decision of the Supreme Court of Iowa the farmer can interpose his defense, as the purchaser is not a holder in due course under the Negotiable Instruments Act, the unstamped note not being "complete and regular on its face."

From Iowa—A person brought a note to us made by a responsible farmer reading "Pay to the order of myself" and indorsed by the farmer making it. The person bringing the note did not indorse it. When he first showed me the note it did not have revenue stamps on it, to which I called his attention; he said the farmer had paid him for the revenue stamps and asked him to put them on or have them put on and cancelled. I put the stamps on and cancelled them and bought the note. I would like to know if I am an innocent purchaser of the note? Does the fact that the farmer failed to put the revenue stamps on the note himself when he indorsed and delivered it constitute a notice to all parties of defenses that might be made to the note of want of consideration? It turned out later that the farmer did not get value for the note, though of course he thought he would when he made and delivered it.

The Supreme Court of your state in Lutton *v.* Baker, 174 N. W. (Ia.) 599, has held that where a note which the revenue laws require to be stamped is not stamped, it is not "complete and regular on its face" within the meaning of the Negotiable Instruments Act and a purchaser of such a note is not a holder in due course and must meet any defense that was good against the payee who transferred it. You will find a digest of this decision published in the JOURNAL of the Association for January, 1921, at page 502.

According to this decision, the

farmer's note in question, which, I assume, was payable otherwise than at sight or on demand, was not complete and regular on its face when it was offered to you for sale and you would probably be deprived of the status of a holder in due course, even though you put on the stamps before you purchased the note.

Forged Indorsement of Treasury Check

Where the check of the United States Treasurer to an honorably discharged soldier was paid by the government to a bank upon forged indorsement and fourteen months elapsed before notice to the bank of the forgery, Opinion: That the government may recover from the bank under the rule that money paid upon a forged indorsement is recoverable and the delay in notice will not bar recovery according to United States Supreme Court decisions, nor is the government bound to know the signature of payees of treasurer's checks.

From Michigan—On August 16, 1919, the Treasurer of the United States issued to an honorably discharged soldier a check for compensation, in the sum of $60.33. This check passed through our bank on August 28 of the same year, or exactly twelve days after issue. On or about October 9, 1920, or a year and two months thereafter, this check was charged back to our account, with the advice that the check bore the forged indorsement of the payee thereof. It is apparent to us that the Treasury Department had in its files the signature of Ernest ——, which should have been compared with that which appeared on the reverse of the check when returned to Treasurer. This, we maintain, is sufficient reason for our being relieved from any responsibility whatsoever, for their opportunity of determining the correct signature upon this check is greater than ours. Therefore the responsibility for this loss should rest with them, in that they did not use due diligence in the discharge of their duty. We have further evidence to the effect that the Treasury Department at no time discovered their mistake, but that an affidavit was filed by Ernest —— to the effect that he did not receive money from them in this amount. We are very desirous of receiving your opinion in the matter of placing the responsibility as between the Treasury Department and ourselves in this case.

The general rule is that money paid upon a forged indorsement is recoverable from the person or bank receiving payment unless the drawee's delay after discovering the forgery in giving notice thereof prejudices the person receiving payment, in which event, it is generally held, recovery is barred. Houseman-Spitzley Corporation *v.* American State Bank, 171 N. W. (Mich.) 543.

But the Supreme Court of the United States in United States *v.* National Exchange Bank, 214 U. S. 302, upheld the right of the government to recover money paid upon forged indorsements of pension checks notwithstanding failure to give prompt notice of discovery of the forgeries, and I believe that case would control your case and place the loss upon your bank rather than upon the government.

In that case action was brought by the United States to recover the amount paid to a bank upon 194 pension checks drawn by the United States pension agent at Boston upon the sub-treasurer and paid upon forgery of indorsements of the payee's signatures. After an investigation the forgeries were discovered. The bank defended on the ground that the action had not been brought within a reasonable time after payment of the drafts, nor had prompt notice been given of the discovery of the forgeries. The Circuit Court rendered a judgment in favor of the United States which the Circuit Court of Appeals reversed upon the ground that the United States could not recover for the mistaken payments, as there had been unreasonable delay in giving notice to the Exchange Bank after discovery of the forgeries. The Supreme Court of the United States reversed the judgment of the Circuit Court of Appeals and affirmed the judgment of the Circuit Court. It held in effect that when the bank presented the checks for payment it warranted their genuineness and its title and that "the warranty of genuineness implied by the presentation and collection of the checks bearing the forged indorsements having been broken at the time the checks were cashed by the United States and the cause of action having therefore then accrued, the right to sue to recover back from the Exchange Bank was not conditioned upon either demand or the giving of notice of discovery of facts which by the operation of the legal warranty were presumably within the knowledge of the defendant."

The court held that the rule that the drawee is bound to know the signature of the drawer did not apply to the government in this case. Upon this point it said: "The United States is not before us as the acceptor of a draft drawn upon it, and charged with knowledge of the signature of the drawer; nor was it a bank which had paid the check of a depositor, and was charged with knowledge of the signature of such depositor. The forgery here was in the name of the payee, and it is therefore impossible, as it was in the case of White *v.* Continental Nat. Bank and in the Leather Mfrs.' Bank Case, to bring this cause within the exceptional rule without holding that the United States was charged with knowledge of the signatures of the vast multitude of persons who are entitled under the law to receive pensions. The exceptional rule as to certain classes of commercial paper proceeds upon an assumption of knowledge or duty to know, naturally arising from the situation of the parties, entirely consonant with their capabilities, and in accord with the common-sense view of their relation. To apply the rule, however, to the government and its duty in paying out the millions of pension claims which are yearly discharged by means of checks would require it to be assumed that that was known, or ought to have been known, which, on the face of the situation, was impossible to be known; would besides wholly disregard the relation between the parties, and would also require that to be assumed which the obvious dictates of common sense make clear could not be truthfully assumed."

I think, therefore, it would probably be held in your case that the government had a right to recover the money paid upon the forged indorsement of the soldier's check on the ground that you had warranted its genuineness and your title and that the fourteen months' delay in demanding repayment of the money, by charging the amount back to your account, did not bar the government from recovering under the rule laid down in U. S. *v.* National Exchange Bank; furthermore, that the government would not be barred from recovery because it had on file the signature of the true payee, for the reasons given by the Supreme Court in the cited case.

TRUST COMPANY DIVISION

The Dead Hand

By F. H. GOFF

President Cleveland Trust Company, Cleveland, Ohio, and Originator of the Community Trust Idea

Extract from an address before the New York City Association of Trust Companies and Banks in Their Fiduciary Capacities, at the Hotel Astor, Tuesday, May 24, 1921. On account of the rapid spread of community trusts throughout the country, the historic matter and suggestions contained in Mr. Goff's address will be of vital interest to existing as well as contemplated trusts of this character.

COMMUNITY foundations aim to provide a flexible plan for administering charitable trusts. They are designed to lessen the evil of "The Dead Hand" by making property dedicated to a specific charitable purpose available for other uses when the one designated by the donor becomes harmful or obsolete. They provide that the wishes of the donor shall be respected no longer than seems wise to the committee having charge of the distribution of income. Community trusts represent at best a study, not a solution, of the difficult problems involved in the administration of charitable endowments.

The importance of vesting a competent administrative body with power to supervise, reform and, if need be, extinguish unwise trusts has been demonstrated to a limited extent in this country, but to a greater extent in England and continental Europe. Time has shown that coupled with the power to give there should be the power to withhold when fraud or inefficiency is discovered or when the use designated by the donor becomes degrading or pauperizing.

The English Parliament possesses and has often exercised this power. In earlier times it confiscated land held by the monasteries and other religious bodies in mortmain, and more recently, acting both directly and through a charity commission appointed by it, has diverted funds to other uses than those indicated by the founder. With the cooperation of the attorney general, the commissioners have often intervened to suppress fraud and to correct abuses in management. But there are still thousands of foundations in England which are harmful and devoid of merit.

Unfortunately no legislative body in the United States possesses this power. The Supreme Court of the United States held in the Dartmouth College case that the legislature of the state of New Hampshire had no power to alter a charter granted by the British Crown to the trustees of Dartmouth College in any material respect. The original grant provided for a board of twelve self-perpetuating trustees. The amending act passed by the legislature of that state, in 1816, increasing the board of trustees to twenty-one (the additional members being appointed by the Governor) and creating a board of twenty-five overseers (of whom twenty-one were to be appointed by the Governor), was held to be void because it impaired the obligation of an implied contract between the state and the founders when the charter was issued.

The evil effects of "The Dead Hand" in England may be illustrated by referring to typical endowments where the evil is readily apparent and by quoting opinions from eminent men who have given the subject careful study.

Mr. Gladstone, in a speech delivered in the House of Commons in 1863 on a bill providing for the taxation of charities, said that endowed charities "often spring from mere vanity and seldom from self-sacrifice. The great majority of them were created, not during the creator's life, but by his will; and it seems undesirable to spend public money in tempting men to try to immortalize themselves as pious founders. The only true 'charities' are those which a man gives out of money which he might have spent upon himself."

In speaking of what he termed the smaller charities, he said: "Three times have these charities been the subject of inquiry and the Charity Commissioners of Lord Brougham, the Poor-Law Commissioners of 1834 and the Education Commissioners appointed some four or five years ago all condemned them and spoke of them as doing a greater amount of evil than of good in the forms in which they have been established and now exist. . . . Poverty is thus not only collected, but created in the very neighborhood whence the benevolent founders have manifestly expected to make it disappear."

Sir Arthur Hobhouse, in his work on "The Dead Hand," says: "How comes it that people are allowed thus to devote property according to their caprices forever? To me it seems the most extravagant of propositions to say that, because a man has been fortunate enough to enjoy a large share of this world's goods in this life, he shall therefore and for no other cause, when he must quit this life and can enjoy his goods no longer, be entitled to speak from his grave FOREVER and dictate FOREVER to living men how that portion of the earth's produce shall be spent. . . .

"The number of foundations made to maintain theological opinions in this country is enormous. Some of the trust deeds are very minute as to the tenets to be believed. I quote from one which has been quite recently in my hands. Those who benefit by this foundation are to believe and teach:

> "'The one only living and true God, the Creator and Upholder of all things; the Scriptures of the Old and New Testament as the Word of God and the only rule of faith and practice; the doctrine of the Trinity, including the Deity and distinct personality of the Father, of the Son and of the Holy Spirit; the doctrine of original sin and the entire depravity of human nature; eternal and personal election; particular redemption; atonement for sin by the death and sacrifice of Jesus Christ; justification by His imputed righteousness through faith; the necessity of regeneration and sanctification of the Holy Spirit; of repentance towards God and faith in Jesus Christ in order to salvation and the final perseverance of the saints.'"

The Charity Commissioners, in one of their first reports, said: "We met with charitable foundations everywhere in old urban districts, and everywhere found their operation and tendency to be to create the misery they were intended to relieve, whilst they did not relieve all the misery they created. . . . In Spital-fields they created a population born in charity, nursed in charity, fed in charity its life long, doctored in charity and, after a wretched life, buried in charity."

It was found in England that "closely akin in character and effect to doles are charities for general gratuitous education—the indiscriminate distribution of mental instead of tangible alms. . . ." The commissioners found that "indiscriminate gratuitous instruction has been demonstrated to be as invariably mischievous as indiscriminate almsgiving." "The evil became greater in the case of schools which gratuitously provided food or clothing for the children."

In continental Europe foundling hospitals were found to stimulate unchastity and to multiply illegitimacy and infanticide. It is said that in England the dole created more paupers and the foundling hospitals more foundlings than their resources could relieve. Charities to provide marriage portions were found to operate as a bribe to hasty and improvident marriages. In 1860 it was estimated that £50,000 a year of

charity revenue were spent in payment of premiums to apprentices, notwithstanding the fact that the practice of going through apprenticeship had almost ceased.

After vast sums had been given in England to endow almshouses it was found that the aged could be cared for better and with less expense by granting pensions free from any obligation of residence.

A foundation attached to the French Walloon Church at Canterbury provided for the payment of forty pounds annually for reading a service according to the English ritual in the French tongue to a congregation which was paid to listen but which could not understand what was said.

The Loughborough Charity was founded in part to repair causeways and bridges. In time the canals and drains carried off all the water, removing the need for either.

John Alleyn directed that the scholars in the school endowed by him should have daily at their breakfast "a cup of beere" and at dinner and supper "beere without stint."

It is said that over 2,000 endowments given for primary education in England were rendered useless when such schools became supported by government aid.

A parish in England possessing an endowment of upwards of £800 a year to provide for care of the poor had a population in 1877 of forty-six, only four or five of whom slept within the parish and none of whom could properly be designated as poor.

A tobacconist provided that the rent from his land be used to purchase snuff for old women residing in the parish. Later it not only ceased to be a residential district, but snuff went out of fashion.

What use can now be made of William Bower's gift for teaching children how to card, spin and knit, or of the funds that Dr. Richardson directed be given in prizes annually for the best piece of woolen or linen cloth woven within three miles of Ripon, or of Lurgan's Foundation to supply spinning wheels to spinsters?

The advance in medical science has rendered useless the many leprosy hospitals that have been built in England. The abolition of imprisonment for debt has rendered useless the large number of endowments to aid improvident debtors. Legal reforms have superseded ancient foundations created to assist prisoners in gaol, to provide shrouds for those executed on the gallows and to buy firewood to heat county prisons.

The following are a type of foundations which illustrate the vanity of the donor and the desire for posthumous fame:

Henry Greene of Melbourne, in 1679, provided that four poor women on every twenty-first day of December be supplied with four green waistcoats, lined with green galloon lace; Thomas Gray of the same place, in 1691, directed that there be purchased annually for poor men and women coats and waistcoats of gray cloth. Edward Rose, in 1652, left land in trust, amongst other purposes, to preserve rose trees on his grave. The bequest of Elizabeth Townsend, in 1820, provided for the payment of three pounds yearly apiece to the churches of Westbury and Warminster, in Wiltshire, that on the Sunday before Midsummer Day there should be sung at the morning and afternoon service the anthem composed by her late husband's grandfather from the 150th Psalm.

It would seem to be in the interest of humanity that some legislation be enacted or some scheme devised which would make funds given for trivial or useless purposes available to relieve distress at least in times of war, pestilence and famine. When hospitals endowed to care for those suffering from tuberculosis, diphtheria, leprosy, smallpox, yellow or typhoid fever have been rendered needless, and hospitals endowed to cure inebriates have been rendered useless, as it is conceivable they all may be in time, the funds dedicated to these purposes ought to be made available to serve mankind in other ways without the restrictions, uncertainties, delays and expense incident to court proceedings.

If founders act with as little wisdom and as much vanity and conceit in the future as they have in the past, and the plans of those who do act wisely prove vain, the evil effects of "The Dead Hand" will operate in the ages to come as they have in the past.

I have spent altogether too much time in discussing the evils that have grown out of irrevocable gifts to definite uses—evils that might be avoided, as I view it, if the gifts were made to community trusts or under any other sort of a plan which gives power to the living to determine how income may be used. What is the remedy where this power is denied? In this country, where legislative control is impossible, recourse can only be had to courts of equity to select another use—one nearest related in kind to the purpose designated by the donor. Unfortunately this remedy has been found costly, inadequate and unsatisfactory.

I am of the opinion that protection from the evils of "The Dead Hand," as respects endowments that may be created in the future, can be secured by the legislatures in the several states or by Congressional action where the charter was issued under Federal authority, enacting laws requiring registration of charitable endowments and conferring upon a properly constituted commission full power to deal with endowments hereafter immutably dedicated to definite and specific uses. I have no doubt that our legislatures have power to enact such laws or that the effect, if enacted, would be to vest in them the same control and dominion over endowed charities possessed by Parliament.

Believing, as I do, that an important function of charity is to experiment in benevolence and to pioneer the way in new fields of charitable endeavor, and as the usefulness is demonstrated, to pass the activity over to the public to continue, charity commissioners should be forbidden, unless the purpose be manifestly vicious and harmful, to substitute a new scheme for the one indicated by the donor until sufficient time has elapsed—say, fifty years—to enable the merit of the donor's scheme to be thoroughly tested; and it must not be forgotten that it often takes a long time to demonstrate the usefulness of an idea. When I was a student in the University of Michigan, Prof. Langley, then occupying the chair of physics, demonstrated that Mr. Brush's idea that electricity could be utilized for commercial lighting was not merely impractical, but impossible. It was but a few years later when the world broadly smiled when his brother, then in charge of the Smithsonian Institute, began his experiments in aviation with a heavier-than-air machine.

It is but fair to the donor that a thorough test be made of any idea in benevolence he wishes to have tried out. I would only urge that if the donor's scheme proves worthless a prompt and inexpensive method be provided for diverting the funds to such purposes as the then living trustees or the charity commissioners, under changed conditions, may deem most widely beneficial. It took England many centuries to learn how to deal with her problems of "The Dead Hand." We ought early to find a way to profit by her mistakes.

If Mr. Rockefeller was correct in thinking that "the only thing that is of lasting benefit to a man is that which he does for himself, and that money that comes without effort is seldom a benefit and often a curse"; if Mr. Carnegie was correct in saying that "the aim of the millionaire should be to die poor, and thus avoid disgrace"; if Mr. W. K. Vanderbilt was right in thinking that "inherited wealth is a big handicap to happiness" and that "it is as certain death to ambition as cocaine is to morality"—wealth must continue to flow in increasing volume to charitable uses.

I am not unmindful that Mr. Rockefeller's gift to the Rockefeller Foundation was made in broad terms for the use of mankind; nor of the splendid gifts made by Mr. Carnegie, Mr. Harkness and Mr. DuPont and others in recent years. They give promise of more intelligence being shown in making gifts to charitable use in the future, but it would be a mistake to assume that all donors will be as wise as they. Conceit, vanity, love of ostentation, the desire for posthumous fame, will be controlling motives with many in the future as in the past. Then, too, it is doubtful if anyone will succeed in planning a scheme which will insure from within efficiency and purity of its own working. There will be need for bodies having the power of administration the Charity Commissioners of England have, to prevent mismanagement, extravagance and waste and to stimulate activity.

Until remedial legislation is enacted, and I fear it will be many years before that is done, I believe that it is the plain duty of every lawyer and trust officer to use his influence in persuading donors creating endowments to vest broad powers in their trustees, permitting of the use of income from their endowments for other purposes than the one for which they have expressed their preference, if that becomes obsolete or harmful. To what extent community trusts may prove helpful in lessening the evil effects of "The Dead Hand" must remain for future generations to determine.

RECENT DECISIONS

THOMAS B. PATON, JR.
Assistant General Counsel

CHECK IS ASSIGNMENT OF DEBT IF SO INTENDED BY PARTIES, NOTWITHSTANDING STATUTE—CALIFORNIA

An action was brought by Miss Dunn against a drawee bank on a check given by her uncle, payment of which was refused by the bank when it was presented after his death. She testified that her uncle said:

> "I am here sick. I don't know how long I will be sick or how sick I will be. When I asked you to take care of me little did I think you would have to go through what you have. I never can pay you enough for what you have done for me. Fill the check out for the full amount in the bank."

The court held that a check for the full amount on deposit operates as an assignment as between the drawer and the payee where this intention clearly appears, notwithstanding the provision of the Uniform Negotiable Instruments Act that a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer and that the drawee is not liable to the holder unless and until it accepts or certifies the check. Dunlap *v.* Commercial Nat. Bank of Los Angeles, 195 Pac. (Cal. A.) 688.

PAYEE IN POSSESSION PRESUMED OWNER, NOTWITHSTANDING HIS INDORSEMENT ON NOTE—NEW MEXICO

The payee of a note is presumed the owner thereof where it is in his possession, although it is indorsed by him; it being presumed that the note was never transferred or that it had been retransferred to him. Tompkins *v.* Rain, 195 Pac. (N. M.) 800.

THE FOLLOWING LETTER DOES NOT CONSTITUTE A PROMISSORY NOTE—CALIFORNIA

> "Herewith you will find my note for fifteen thousand dollars ($15,000) payable in three years from date with interest at six per cent. Now, dear Mrs. Holtman, you will remember I have often told you that I owed my present health and happiness to your totally unselfish and loving care of me while in the mountains two years ago, and elsewhere.
>
> "I hand you this token that you may know how much out of my abundance I appreciate the kind regard you have always shown to me during the last few years. When I see you again I will endeavor to explain to you personally how much I have always appreciated your totally unselfish kindness. In the meantime accept the enclosed with my love and best wishes for your future health and happiness.
>
> "Sincerely,
> "F. D. BUTTERFIELD."

Because no note was enclosed, it was contended (unsuccessfully) that the letter itself constituted a note. Holtman *v.* Butterfield, 196 Pac. (Cal. A.) 85.

"AS PER CONTRACT" DOES NOT RENDER NOTE NON-NEGOTIABLE

where it is not in the body of the note but in the lower left-hand corner of the paper. "Its detachment, both physically and grammatically, from the essential parts of the note would seem . . . to invite . . . the conjecture that it was merely an explanation of the note as a whole—a memorandum to identify it by connecting its execution with an existing agreement "as per," that is, in accordance with, or pursuant to, which it was made." The phrase did not qualify the promise to pay and hence did not affect negotiability. Strand Amusement Co. *v.* Fox, 87 So. (Ala.) 332. (Collating relevant cases.)

EFFECT OF DISHONOR OF DRAFT IN PAYMENT OF CHECK ON DRAWER OF DRAFT—ALABAMA

Where an insolvent bank pays a check drawn on it by a draft on another bank, which draft is dishonored because of such insolvency, and the drawer of the check has paid the payee the debt represented by the original check, as between the drawer and the drawee of the check, it is regarded as unpaid. Stanley *v.* Green, 87 So. (Ala.) 356.

NEGOTIABILITY OF A NOTE IS NOT AFFECTED BY A PROVISION THAT FAILURE TO PAY INTEREST WITHIN A SPECIFIED PERIOD SHOULD CAUSE THE NOTE TO BECOME DUE AND COLLECTIBLE—IOWA

The Uniform Negotiable Instruments Act provides that "The sum payable is a sum certain within the meaning of this act, although it is to be paid: . . . 3. By stated installments, with a provision that upon default in payment of any installment, or of interest, the whole shall become due." In Iowa, as well as in Idaho, North Carolina and Wyoming, the Negotiable Instruments Act omits the words "or of interest." This does not necessarily mean that a provision for acceleration of maturity because of nonpayment of interest renders a note nonnegotiable, but merely leaves operative the law merchant of the particular state, under which, in Iowa, negotiability is not affected. Commercial Savings Bank *v.* Schaffer, 181 N. W. (Iowa) 492.

Notes on Recent Decisions

DESPITE the Negotiable Instruments Law, which provides that a check *of itself* does not operate as an assignment, it has been held that there is an assignment where from the *entire transaction* there appears an intention to pass title to funds in the bank.

RECKLESS indifference on the part of a bank teller as to the consequences of his act in telling the payee that the drawer of a check had no funds does not require an assessment for punitive damages.

AN acceptance of a new note is not payment of the old unless so agreed.

A TIME certificate of deposit payable "six months after date" matures at the end of such period and no interest can be recovered after maturity except by special agreement.

WHERE a party does not indorse a note until after the date of maturity, that fact clearly indicates that demand at maturity was not contemplated. This constitutes an implied waiver of demand and protest.

A WOMAN domiciled in Michigan, although protected by its laws relative to contract of married woman, cannot escape liability when she indorses notes dated in Colorado.

A SHAREHOLDER in a national bank is not entitled to deduction on account of government (tax exempt) bonds owned by the bank.

THE United States Supreme Court has recently held that profits derived from the sale of capital stock and bonds and capital assets are properly taxable as income under the Sixteenth Amendment of the Constitution.

Punitive Damages for Teller's Wanton Failure to Pay Check Discretionary—Alabama

One Lucy Stewart sued her bank for damages for failing or refusing to pay a check when she had funds on deposit. The following charge given at her request was made to the jury:

> (1) "If you are reasonably satisfied from the evidence in this case that the conduct of the teller of the defendant bank characterized by a reckless indifference as to the probable consequence of his act in telling the payee of plaintiff's check that she had no funds with the defendant bank, then he would be guilty of wantonness, and plaintiff would be entitled to recover punitive damages of the defendant bank, if you are reasonably satisfied from the evidence that she was damaged as the result of such wanton conduct on the part of the teller."

The Supreme Court ruled that such charge was erroneous and held that a non-commercial depositor must plead and prove special damages from the wrongful failure to pay his check to entitle him to more than nominal damages. Reckless indifference by an officer of a bank as to the consequences of his act in telling the payee that the drawer of a check had no funds with the bank does not require an assessment of punitive damages, but the matter is discretionary with the jury. First National Bank of Huntsville *v.* Stewart, 85 So. (Ala.) 529.

Acceptance of New Note Not Payment of Original Debt in Absence of Agreement to That Effect—Maryland

One Louis Willinger, a successful coal dealer, died, leaving his business in charge of his son and daughter. At the time of his death the decedent was indebted to his bank in the sum of $14,500, evidenced by three notes. The son, as administrator, renewed these notes from time to time. The bank brought an action against the administrator to recover the full amount of the notes. The administrator contended that the notes were wholly paid and discharged by the renewal of the notes which were accepted by the bank. The administrator testified as follows:

> "Q. You never did get those notes dealt with, isn't it a fact that they insisted on retaining your father's original notes when you renewed them? A. Well, I renewed the original notes. I never received them.
>
> "Q. You never did get those notes back? A. No.
>
> "Q. Although you did give your personal notes for them? A. Yes.
>
> "Q. They kept those notes? A. Yes.
>
> "Q. Any subsequent renewals they always gave you back your previous renewal notes? A. Yes, sir.
>
> "Q. But never did give you back the originals? A. Never gave me back my father's original paper.
>
> "Q. (By Mr. Benziger): Did you ever ask them for them? A. Well, they never gave them. I think on one occasion Mr. Caton came down there and I was looking at the note, and he grabbed that note so quick I did not know what had happened."

The court held that the original notes were not extinguished. "The decisions in this state and in other jurisdictions are uniform in holding that the acceptance of a new note or security, of equal degree, for an existing note is not in itself a payment or extinguishment of the original debt for which it was taken, in the absence of an agreement to that effect." Such renewals operate merely as an extension of time of payment. Philadelphia & Reading Coal & Iron Co. *v.* Willinger, 111 Atl. (Md.) 132.

The Indorsing of a Note Payable "One Day After Date" Constitutes a Waiver of Presentment, Protest and Notice

where the indorsements are not made until after the date of maturity and it is otherwise shown that the note was intended as a continuing obligation. This fact alone clearly indicates that demand for payment at maturity was not contemplated by the parties. Helfrich *v.* Snyder, 112 Atl. (Pa.) 749.

Priorities Against Assets of Insolvent Bank—Washington

One depositor of a bank delivered to it a check drawn on it to the order of another depositor therein. The bank failed without having informed the payee as to the delivery of the check and he claimed that the check was a trust fund, entitling him to a preference in the assets of the bank. The court denied this contention on the ground that there was no augmentation of the assets of the bank, pointing out also that the utmost duty of the bank was to give the payee credit for the check, which would have made him merely a general creditor of the bank. The rule is he is not generally allowed to follow and hold the funds as against the creditors of the bank unless he can trace it and show that the assets of the bank had been increased. Zimmerli *v.* Northern Bank & Trust Co., 191 Pac. (Wash.) 788.

Interest Held Not Receivable on Certificate of Deposit After Maturity—Utah

A certificate of deposit payable "six months after date" provides that the depositor is entitled to interest at rate of 4 per cent. per annum if the money is "left for six months," and further provides that "no interest will be paid after maturity." Demand, however, was not made until one year after the date of the certificate. Although there appears little room for controversy, the holder insists that the certificate, by its terms, did not mature until demand for payment was made, which was one year after date, and hence continued to draw interest. The court held that where a certificate of deposit for six months expressly provided that interest should not be payable after maturity, interest could not be recovered after expiration of such six-month period. Interest upon bank deposits is generally not recoverable "except by special agreement or after demand and refusal to pay. Verdi *v.* Helper State Bank, 196 Pac. (Utah) 225.

What Law Governs Validity of Indorsement—Massachusetts

Notes of a Colorado corporation, payable to its order, were dated and made payable in the same state. They were indorsed by a married woman and discounted by Michigan bankers. One note was made and indorsed in Illinois, but the place of making and indorsement of the other notes did not appear. "Nor does it clearly appear that the obligation of the [indorser] first became complete by delivery of the notes in Michigan." Under the Colorado statute the married woman was bound by her indorsement, but apparently the rule was different in Michigan. The court held that the domicile of the indorser (Michigan) was immaterial. "As the contract of the indorser is a new and separate one, its validity is determined, as a general rule, by the laws of the state where the contract of indorsement is made; that is, where it takes effect by delivery." However, this rule is inapplicable "when it appears from the special circumstances that the parties intended otherwise," and both at common law and under the Negotiable Instruments Act, "except where the contrary appears, every indorsement is presumed to have been made at the place where the instrument is dated." This would be Colorado in this case. "We cannot infer, in order to overcome the legal presumption, that she indorsed the notes with a view to have them delivered in Michigan, knowing that she would not there be bound by her indorsement. Much less can we assume that they [bankers] knew that 'M. M. Chesbrough' was a married woman, domiciled in [Michigan], and that they knowingly accepted delivery of a note with an indorsement that was legally worthless." The indorser would also be estopped from setting up that the indorsement was made in Michigan. Walling *v.* Cushman, 130 N. E. (Mass.) 175.

Taxation of Shares of Stock of National Banks

Under the Iowa statutes making a national bank liable for the payment of taxes assessed to its stockholders, it is a proper party to sue to enjoin the collection of such taxes. "The statute taxing state banks on their property had been held not to be a tax on their shareholders in the Home Savings Bank Case [205 U. S. 503, 27 Sup. Ct. 571]; thereupon the Supreme Court of Iowa had held that any taxation of national bank shares was invalid, because of this construction of the state statute. First Nat. Bank v. Estherville, 150 Iowa 95, 129 N. W. 475." The court held that the amendatory Iowa statute authorized the taxation of shareholders of state banks and that the provision taxing national bank shares was valid.

"A systematic and intentional omission to tax a material portion of other moneyed capital of the kind designated in Section 5219, Rev. Stats., may be a

violation of that section equally with a similar omission to tax by legislatitve enactment," and were this the case the taxation of national bank shares could not be at a greater rate than that imposed on such "other moneyed capital."

"The fact that a part or all of the capital of a national bank is invested in United States bonds or securities, which are exempt from taxation, does not entitle the shareholder to any deduction from an assessment upon the full value of his shares," notwithstanding individuals, such as private bankers, may deduct from the amount of their assessable property the amount of United States securities held by them. Hannan *v.* First Nat. Bk. of Council Bluffs, 269 Fed. 527.

Supreme Court Federal Income Tax Decisions

A testamentary trustee sold corporate stock belonging to the estate at a price greater than the value of the stock on March 1, 1913. The amount of such difference was taxable as income received during the year of the sale. The provision of the will that "accretions of selling value shall be considered principal and not income" was disregarded as it is not within the power of a testator to render such a fund non-taxable. A trustee is taxable the same as a person receiving income in his own right.

The following definition of income given in Eisner *v.* Macomber, 252 U. S. 189, 207, was reaffirmed: "Income may be defined as a gain derived from capital, from labor, or from both combined, provided it be understood to include profit gained through sale or conversion of capital assets."

That the transaction was a single isolated sale is immaterial, since there is "no essential difference in the nature of the transaction or in the relation of profit to the capital involved, whether the sale or conversion be a single isolated transaction or one of many." Merchants Loan & Trust Co. *v.* Smielanka (March 28, 1921).

A mining company sold its mine and plant in May, 1917. The profits realized on the sale, after adding to the value of the property on March 1, 1913, the "cost of additions and betterments and subtracting depreciation and depletion to date of sale," were taxable as income received in 1917. Eldorado Coal & Mining Co. *v.* Mager (March 28, 1921).

In 1912 the person taxed exchanged stock worth $291,600 for other stock. On March 1, 1913, the value of the stock received was $148,635.50. It was sold in 1916 for $269,346.25. The "statute imposes the income tax on the proceeds of the sale of personal property to the extent only that *gains* are derived therefrom by the vendor, and . . . since no gain was realized on this investment . . . no tax should have been assessed." Goodrich *v.* Edwards (March 28, 1921).

Bonds were purchased in 1902 and 1903 for $231,300; the value on March 1, 1913, was $164,480. They were sold thereafter for $276,150. The amount subject to the income tax was the difference between the cost and the amount realized on the sale, or $44,850, since this represented the gain on the investment.

The bonds were purchased through an underwriting agreement, by virtue of which the purchaser did not receive any interest prior to the allotment of bonds to him in 1906. The interest upon the capital investment could not be added as a part of the cost of the bonds to reduce the amount on which the tax should be assessed. Walsh *v.* Brewster (March 28, 1921).

Liability on Check to Impostor—New York

A person representing himself as Lieutenant Peterson, collecting funds for a charity, obtained a check payable to Lieutenant R. L. Parks, whom he said he represented. There was no charity as represented and no such person as the payee; "Peterson" was an impostor. "Peterson" indorsed the name of the payee on the check and cashed it with the United Cigar Stores Company, claiming that he was a representative of Parks. The drawer of the check stopped payment and the court held that the United Cigar Stores Company could not recover from such drawer the amount paid to "Peterson." United Cigar Stores Company *v.* American Raw Silk Co., 129 N. E. (N. Y.) 904. (Memorandum decision without opinion, affirming 184 App. Div. 217, 171 N. Y. Supp. 480.)

An Agreement With an Express Company, Exonerating It in the Transmission of Money

to Russia "for any loss occasioned by errors or delays . . . or for the acts or omissions of the correspondents or agencies necessarily employed . . . in the transfer of this money, all risks for which are assumed by the sender," exempts it from liability for loss caused by correspondents in Russia, which were chosen with due care. Alemian *v.* American Express Co., 130 N. E. (Mass.) 253.

Blue Sky Law—Arkansas

A statute of a state making it unlawful for a person, firm or corporation of another state to sell therein securities without permission of the state bank commissioner renders a sale in violation thereof void so that it cannot be validated by subsequently obtaining such permission. Randle *v.* Interstate Grocer Co., 227 S. W. (Ark.) 760.

Gift of Bank Deposit—Missouri

A deposit of money "for use of Mrs. Lydia Martin," which the bank is notified can "be drawn out only on check signed by [the depositor] and Lydia Martin," does not constitute an executed gift so as to vest title in the donee. Martin *v.* First Nat. Bank, 227 S. W. (Mo. App.) 656.

Gift of Bank Deposit—New Jersey

The depositor in a bank had the account made out in the joint names of herself "or" a third person, with the intention that at her death the fund should go to such other person. She later changed her mind and altered the joint deposit to a personal account by having the cashier strike out the name of the other person from the ledger of the bank and the pass book. This was held an effectual revocation of the gift. Swedesboro Nat. Bank *v.* Richman, 112 Atl. (N. J.) 595.

The Following Instrument Is Not a Promissory Note—Missouri

"$834.00

"St. Louis, Mo., September 1, 1905.

"Eight hundred and thirty-four dollars. Pay to the order of Mike Lehner eight hundred and thirty-four dollars for value received at the rate of six per cent. per annum.

"John Roth,
"Mary Roth.

"Due: John Hofer."

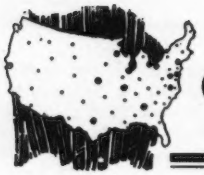
There is no acknowledgment of an indebtedness of the signers to the payee from which the law would imply a promise to pay. The court noted that the word "promise" was stricken out of the blank form used. Lehner *v.* Roth, 227 S. W. (Mo. App.) 833.

A Member of a Dissolved Partnership Cannot "Execute a Partnership Note

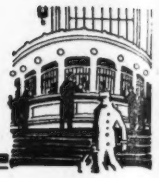
binding on the other partners without their knowledge and consent, except by way of estoppel in favor of innocent parties dealing in good faith without knowledge of such dissolution." Citizens Trust Co. *v.* Coppage, 227 S. W. (Mo. App.) 1057.

Federal Reserve Bank Enjoined From Accumulating Checks and Presenting Them Across Counter of Non-Member Banks

In a recent decision, American Bank & Trust Co. *v.* Federal Reserve Bank of Atlanta, U. S. Supreme Court, May 16, 1921, it was held that a Federal reserve bank may be enjoined from malevolently accumulating checks of non-member banks and then presenting them for collection over the counter rather than through the regular channel of correspondence or clearing, thus, and by other devices, depriving such non-member banks of profits arising from exchange charges, and incidentally compelling the keeping on hand of an unnecessarily large amount of cash.



CLEARING HOUSE SECTION



Mid Year Report

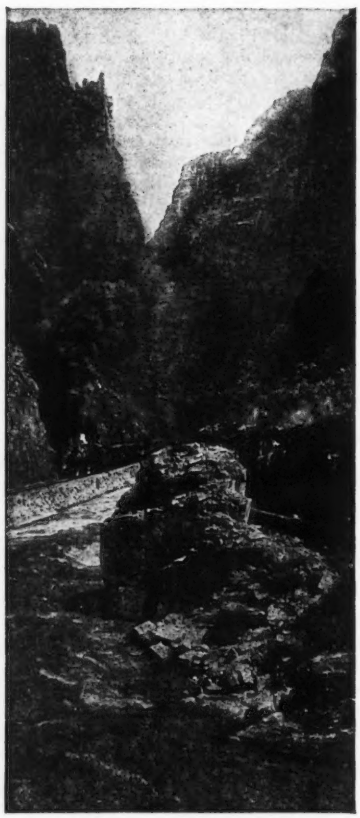
Acceptance Committee of the American Bankers Association

To the Executive Committee of the Clearing House Section, American Bankers Association:

Your committee is pleased to report that marked progress has been made with the development of certain phases of the American acceptance method of financing in the past half year. Hundreds of banks, individuals, firms and corporations have been converted during that period to the idea of investing temporarily available funds in bankers' acceptances. Prime bankers' acceptances are now regarded as a dependable reserve. The open discount market here has become a reality—every interest in America is benefiting from its operations. Dollar credits have gained preference everywhere. Many commercial banks have qualified for the utilization of their full acceptance powers. New and substantial acceptance houses have been organized and plans have been perfected under which funds are now being loaned on call or demand against acceptances as collateral in preference to stocks, bonds and other long-term securities.

Through the use of an investment in acceptances, funds heretofore idle and practically useless are being mobilized and made to serve commerce and industry. Overnight money, spot and forward rates and other discount market terms so well known abroad are rapidly finding their way into our business and financial vocabulary. The terrific break in the international exchanges, the slump in prices and attending unsettled conditions throughout the world caused traders and merchants to rush to cover. Contracts were repudiated. Orders were cancelled. Every opportunity to default upon credits existed. Banks that had issued confirmed letters of credit were appealed to by customers in whom they had implicit confidence to refuse to accept bills against such letters of credit. In some cases the banks yielded, but the courts promptly set them right. These banks learned that an irrevocable letter of credit is a sacred contract and its terms are binding irrespective of the losses that may be inflicted because of price recessions, defective goods or conditions not covered in the letters of credit.

The bankers' acceptance method has been thoroughly tested here; its merits are established, and if it is honestly applied, allowed to develop along natural lines and is not stifled by overregulation, its further success is assured. According to figures compiled by the American Acceptance Council, the volume of bankers' acceptances outstanding April 1, 1921, was approximately $665,000,000, while the volume one year ago was $800,000,000. Considering the slump in our exports and the drop in prices, this showing is highly satisfactory. The drawings to create dollar exchange have shown a notable increase. The discount rates on prime bankers' acceptances for the six months period ranged from 5½ to 6⅜ per cent., dealers' buying rates from 5⅝ to 6⅜ per cent., dealers' selling rates from 5½ to 6¼ per cent. Acceptance call or demand loan rates ranged from 4½ to 6 per cent. The commission charged by banks on acceptance credits ranged from 1 to 1½ per cent. (¼ to ⅜ per cent. for ninety days), varying with the character of the transaction covered and risk involved.



THE ROYAL GORGE

Height of walls, 2,627 feet above the railroad track; width at Hanging Bridge, 30 feet. One of the scenic attractions en route to the Los Angeles Convention

Your committee regards its duties to be chiefly of an educational and informational character and believes that excellent results will be achieved by functioning through the Clearing House Section under the plan arranged at Washington. Mr. Mullen, Secretary of the Clearing House Section, has served as secretary of this committee. He has been appointed to membership on the Trade Acceptance Committee of the American Acceptance Council. We are cooperating closely with that splendid organization.

One of our greatest problems is to bring about a clearer understanding on the part of bankers as to what the trade acceptance is, its proper use, true method of operation and particularly its final disposition when made payable at a bank. Judge Thomas B. Paton, General Counsel of the American Bankers Association, in a recent decision, the full text of which appears on page 684 of the April JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, stated: "Where the drawee of a trade acceptance makes it payable at a bank it is equivalent (except in certain states) to an order to the bank to pay and there is no need of express instructions as a prerequisite to payment. A bank which refuses payment having sufficient funds of its customer would be liable to him for injuring his credit."

Section 87 of the Negotiable Instruments Act, as operative in all states except Illinois, Kansas, Minnesota, Missouri, Nebraska and South Dakota, provides that when an instrument is made payable at a bank it is equivalent to an order on the bank to pay the sum for the account of the principal debtor thereon, which in the case of trade acceptances is the acceptor. If banks would observe this rule of law the handling of trade acceptances would be greatly facilitated and many complaints and disputes would be obviated.

The trade acceptance method is sound, efficient and economical and its use should be encouraged in all transactions covering current sales of merchandise on the time basis. Farmers began tilling the soil with forked sticks, some advanced to the one-horse plow, others got far enough to use the big horse-drawn gang plows, still others advanced to the tractor class. The question with the trade acceptance is, shall we follow the steps of progressive farmers and adopt the modern efficient method or shall we stay in the forked stick class? Business can be done either way. Your committee will use its best efforts to encourage the modern plan.

Respectfully submitted,

PERCY H. JOHNSTON,
JOHN W. WADDEN,
JEROME THRALLS, *Chairman.*

PINEHURST, N. C., May 3, 1921.

SAVINGS BANK DIVISION

Attend the Convention

Savings bankers from every state will hold their annual meeting in Los Angeles during the first week in October.

The plans and principles of thrift and saving will be considered from the professional viewpoint. The results of the meeting should appear both in increased personal efficiency and in a greater capacity to serve the public interest on the part of all who participate in this national conference.

Every officer, manager or employee of a savings bank or the savings department of a commercial bank or trust company should consider this as *his* meeting.

We will appreciate advice from every banker who may be in attendance, that special notices may be sent as the program develops. We will also appreciate suggestions as to topics which are of special interest to any considerable group, that they may be covered in either the annual meetings or in special conference for which plans are now being made.

Savings Deposits Increase

Reports from the 142 mutual savings banks in the State of New York for the quarter from January 1 to March 31, 1921, show:

Deposits	$279,461,256.00
Withdrawn	238,103,460.00
Increase.....	$41,357,796.00
Resources, April 1..	$2,574,560,350.00

Similar increases are being reported from all parts of the country, the decreases in certain industrial centers offset by increases elsewhere.

This refutes the statement of May 5 attributed to the United States Treasury Department that there has been a shrinkage of $1,000,000,000 in savings deposits during the past year, it being stated that such a shrinkage was to have been expected as the resources of all banks have been reduced during the same period.

Furthermore, we cannot make such a comparison with other banks, as the "savings" deposit does not result from such a bookkeeping entry for a deposit as that which offsets a new item in the loan column.

In fact, there is reason to believe that savings depositors belong to the class of steady and efficient employees which has been least affected by the industrial depression.

New York Convention

The twenty-eighth annual meeting of the Savings Banks Association of the State of New York was held May 11-13.

Topics included guaranteed mortgages, blue-sky legislation, revitalization of the mutual savings bank, railroad securities and especially the activities of the advertising and publicity campaign.

The attendance included 310 representatives from eighty-one savings banks. President John J. Pulleyn and other officers were reelected.

Second Conference of Mutuals

The Second National Conference of Mutual Savings Banks was held in Philadelphia, April 27 and 28.

About 500 delegates were in attendance. The program included a variety of subjects of special interest to such institutions, including investment policies, security holdings, mortgage loans, banking methods and publicity. Elaborate exhibits of mechanical devices, publicity and banking methods were a prominent feature.

President Brock and other officers were reelected.

A. B. A. Service Commended

Editorial comment upon the statistical reports by the American Bankers Association upon the progress of school savings banking has been most generous in amount and favorable in nature. For instance, an editorial in the Asbury Park (N. J.) *Press* concludes:

"This evidence of thrift among the school children of the nation is the best sort of insurance against an impoverished nation in the future. When the habit of saving is instilled in the mind of the child wastefulness in adult years will rarely occur. *Those responsible for promoting this spirit of thrift in the school children of the land deserve the greatest commendation and encouragement.*"

Thrift as World Cure

Prof. Gustav Cassel, the noted economist, in a recent address in Christiania, is reported by the New York *Evening Post* to have stated:

"Had a real peace followed the armistice the economic world would soon have got back on a sound and healthy basis. The various countries took too much for granted, he said. They undertook to resume normal business relationships without the slightest knowledge of the intrinsic value of their exchanges. There was an abundance of circulating medium, and those who should have known better assumed that behind this volume of currency there lay real wealth. The low interest rates that prevailed during and immediately after the war served to strengthen the delusion. It is now realized that this low rate was artificially maintained. The banks were too willing to lend money, and this was responsible for a great deal of the trouble. They should now devote their energies and influence to the encouragement of savings, as it is only by the reaccumulation of capital in this way that the world's losses from the war can be replaced."

Savings Bank of Paris

The Savings Bank of Paris, owned and controlled by the municipality, on December 31, 1920, had 665,550 depositors, whose savings amounted to 154,637,972 francs, compared to 673,090 depositors in the preceding year with 128,779,183 francs, a decrease in number of accounts and increase in average deposits. Withdrawals during the year included over 4,000,000 francs for government loans and more than 1,000,000 for other savings banks. Payments for depositors to old-age pension funds were 18,309 francs and the total deposits during the year 72,793,722.

British Savings Banks

The twenty-ninth annual report, 1920, gives the following data for November 20, 1919:

Trustee savings banks in the United Kingdom numbered 163, representing 217 formerly separate banks, 162 branch banks and 41 local agencies or receiving offices, making a total of 420. We quote:

"The aggregate business done by trustee savings banks was represented by accounts with 2,220,787 depositors, of whom 325,439 were stockholders and 92,536 were special investors.

"The total cash deposits on that date amounted to £86,788,517, as against £75,058,737 on the previous November 20, being an increase of £11,729,780.

"The total stock and bonds held for depositors amounted to £25,396,736, as against £22,574,771 on the previous November 20, being an increase of £2,821,965.

"The aggregate of cash deposits and stock and bonds on November 20, 1919, was therefore £112,185,253, as against £97,633,508 on the previous November 20, being an increase of £14,551,745.

"It is scarcely to be expected that such a record increase in business could be a permanent feature and, as a matter of fact, the figures since November 20, 1919, show some retardation in the rate of progress. But even so, the aggregate funds invested with the government alone have increased since November 20, 1919, by over 4 per cent. during a time when the value of money has decreased and its purchasing power is therefore smaller, trade has been less brisk and unemployment has become again noticeable."

School and Industrial Savings Banking

Annual Review of School Saving

VERY wide interest is being shown in the compilation of data and experience with school savings banking methods, which the Savings Bank Division of the American Bankers Association now has in hand.

Improved forms for report have been sent by the Association to the managers of all school systems and the general report will be ready within two months. The result should be further stimulation in this national effort to train the next generation in habits of thrift and saving.

Educators have very generally welcomed the cooperation of the bankers. The bankers, in turn, now realize that this enables them to perform a necessary and proper yet inexpensive public service for the benefit of both their community and the nation.

One state is considering the adoption of an official plan to be used in schools which have not been previously supplied through the cooperation of banks.

Of the larger cities not yet on the list, so many are about to make some arrangement that we predict another year will see all but a very few American cities giving this practical training in thrift and savings banking for the benefit of their pupils.

School Credit for Savings

The Alameda High School, writes Superintendent DuFour, now enrolls pupils in thrift, who undertake to meet the following conditions:

1. To deposit regularly through the school savings system.

2. To keep an accurate and acceptable account of the term's cash receipts and disbursements.

3. At the close of the term a minimum of 10 per cent. of all receipts should be on deposit.

4. Prior to the closing of the term each student shall be required to make an independent investigation of some practical phase of the thrift problem and to prepare a composition written thereupon of not less than 500 words.

For fulfilling the above conditions a credit of one-fourth of a unit per term is allowed.

Out of a total enrollment of approximately 5,000 elementary and high school students, considerably more than 50 per cent. are now active depositors.

Manual for Teachers

School savings banking needs to be correlated with other efforts to teach the principles of economics and the elements of business success. To serve its real purpose in education it must be regarded as a *means* for demonstrating the ideas which the child will acquire in the course of other studies.

In the absence of any suitable text book or plan for teaching the elements of business custom and success, the American Bankers Association, Savings Bank Division, has arranged for a special edition of an article entitled "The Secret of Thrift," by Clifford Brewster Upton, associate professor of mathematics and provost of Teachers College, Columbia University.

Thrift, School Savings—With Smiles

It is intended that this pamphlet will be supplied to teachers in the seventh and higher grades by banks which are cooperating in the work of school savings systems. These banks will be able to purchase the necessary number of copies from the Division. As it will be impractical to offer the reprint for general distribution, it is anticipated that its use will result in the development of more complete text books in the near future.

British Penny Savings Banks

"Penny savings banks, used as a means of inculcating thrift in early years at a time when the mind is impressionable, continue to show excellent results at those savings banks which have made school and other penny savings banks a feature of their organization and propaganda during many years past. Some suggestions for collaboration with other thrift agencies in this small but important department of savings bank work have also reached us. New penny banks have also been established in schools and are doing well, as progress has been reported not only in respect to the number of children who have become depositors, but also in the amounts of the deposits and general turnover and in the number of schools which have adopted a school penny bank as part of their curriculum."—Twenty-ninth Annual Report, Trustee Savings Banks, United Kingdom, 1920.

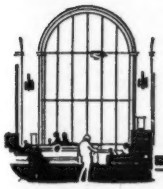
New Industrial Savings System

The article in this JOURNAL on "Industrial Savings Banking," of which reprints may still be obtained from our Savings Bank Division, has been the basis of much constructive thought by both industrial leaders and bankers. Although the business depression prevented as much attention to such work as was expected, the readjustment of wages in any plant can be followed by the establishment of a system based upon pay-roll deductions or otherwise, as may be required to fit the needs of different types and classes of employees.

An interesting development in this work is known as the "employees' savings plan" of the New York Telephone Company, of which the Savings Bank Division will be pleased to give full particulars. It is described briefly in a recent letter from Vice-President T. P. Sylvan as follows:

"Our plan was originated by the New York Telephone Company and is believed to be unique in certain features, particularly the 'dual agency' arrangement whereby the company handles withdrawals as well as deposits, thus eliminating the necessity for personal visits, on the part of the employee-depositor, to the bank in which his account is carried. The plan is, further, strictly a savings as distinguished from an investment plan and has no connection with the stock subscription plans of the American Telephone and Telegraph Company and associated companies.

"The plan was inaugurated in the latter part of March of the current year. To date some 4,200 employees, approximately 10 per cent. of our total force, have established accounts under the plan. The total of authorized deposits amounts to $536,000 on an annual basis.



NATIONAL BANK DIVISION

Extension of Time for Loans on Liberty Bonds

With the approval of the Secretary of the Treasury, the Comptroller of the Currency has issued the following amended regulations relating to loans secured by United States Government obligations:

"Until December 31, 1921, or until such later date as the Comptroller of the Currency, with the approval of the Secretary of the Treasury, may prescribe, any national bank may purchase or discount, pursuant to general and specific authority conferred upon the officers of the bank by its board of directors, the note or notes of a person, firm, company or corporation, maturing in not less than six months from the date of such purchase or discount, in an amount in excess of 10 per cent. of the aggregate amount of the capital stock, actually paid in and unimpaired, and the unimpaired surplus fund of such bank; PROVIDED, any such note or notes shall be directly secured by at least 105 per cent. of U. S. bonds, certificates of indebtedness of the United States or Victory Liberty Loan notes issued since April 24, 1917; that is to say, there must be pledged as security for each $100 so loaned at least $105 face value of Liberty Bonds, certificates of indebtedness or notes.

"The amount which a national bank may thus lend upon Liberty Bonds, certificates of indebtedness and Victory Liberty Loan notes under Section 5200, R. S., as amended September 24, 1918, March 3 and October 22, 1919, and pursuant to this regulation, is in addition to other loans which such national bank is permitted to make, whether or not such other loans be secured in whole or in part by Liberty Bonds, certificates of indebtedness or Victory Liberty Loan notes."

Engraved Signatures on National Bank Notes

The possibility of having national bank officers' signatures mechanically affixed to national bank notes before they are delivered to banks has been the subject of several inquiries directed to the Association's branch office in Washington. Information dispatched to several banks was to the effect that upon this particular point Congress expressed its will in an amendment to Section 5172 of the Revised Statutes, approved March 3, 1919. This amendment provides that circulating notes shall be printed in blank or bearing the engraved sigatures of the president or vice-president and cashier of the bank of issue. The engraving of these signatures being thus within the discretion of the Treasury officials, the authority conferred has never been exercised.

At the time of the adoption of this amendment the machinery of the government for printing its notes, its bonds, its certificates and its stamps was taxed to its utmost. The officials felt that the introduction of any innovations would necessarily lessen the output of the bureau and rather than to bring about such a condition the processes used theretofore were continued. Even at this time the bureau is working to its capacity, but at some later date it is possible that the inconvenience caused national banks by signing of their notes will be avoided by the introduction of the plan provided for. The Treasury officials advise, however, that no immediate steps looking to this end will be taken, and should there be enacted the proposal to establish a uniform national bank currency obviously signatures of bank officers would no longer need be affixed.

Directors' Qualifications

Last March President Wilson signed a bill liberalizing the residence requirements of national bank directors. It permits the three-fourths in number of directors who were formerly required to live within the state, territory or district in which the association is located to reside anywhere within fifty miles of the bank.

It seems that this provision has not met universal approval, for a bill recently introduced by Senator Nelson of Minnesota seeks to reenact the old requirement of residence within the state in which the association is located, and in addition it provides that four-fifths in number of the directors shall so qualify.

It also graduates in proportion to the amount of capital stock the number of shares which a director shall own as follows: Five shares where the capital does not exceed $25,000; ten shares where it is above $25,000 and not more than $50,000; fifteen shares if the capital is between $50,000 and $75,000; twenty shares where it is more than $75,000 and under $100,000, and at least ten shares for each additional $100,000.

The bill has been referred to the Committee on Banking and Currency, but it is not at all likely that any action will be taken on it during the present special session of Congress.

Demand Loans on Real Estate

Inquiries made to the Federal Reserve Board have sought to learn whether national banks may make demand loans on real estate under the provisions of Section 24 of the Reserve Act.

Section 24 is in part as follows:

> "* * * no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year."

In rendering its opinion the board said: "It is believed that the purpose of this provision is to prohibit a national bank from tying up its funds for a longer period than five years in the case of loans upon the security of farm lands, or one year in the case of loans secured by real estate other than farm lands. Inasmuch as the bona fide holder of a demand note secured by real estate has the right at any time to demand immediate payment and to proceed against the property if such payment is not made, the Federal Reserve Board is of the opinion that under the terms of the law national banks may make demand loans secured by real estate, provided, of course, that the loans comply in other respects with the provisions of the law.

"It is well to point out, however, that under some circumstances the discount or purchase of demand notes may be subject to certain practical objections. For one thing, if a demand note is indorsed the indorser may be relieved of his secondary liability if payment is not made within a reasonable time. Furthermore, Section 53 of the Uniform Negotiable Instruments Law provides that 'where an instrument payable on demand is negotiated an unreasonable length of time after its issue, the holder is not deemed a holder in due course.' Under this section a bank purchasing a demand note from a former holder an unreasonable length of time after its issue would be subject to any defenses which the maker had against the former holder.

"There may be other practical considerations of importance in determining whether a demand note is a proper instrument under the circumstances of the particular case. Such practical considerations do not, however, affect the general proposition of law that a national bank may under the terms of Section 24 of the Federal Reserve Act, and subject to the conditions, restrictions and limitations therein prescribed, make real estate loans by taking direct from their customers demand notes executed by those customers, when the notes are properly secured by mortgages covering real estate and comply in other respects with the terms of the law."

STATE BANK DIVISION

Par Collection Situation

By CHARLES de B. CLAIBORNE

As chairman of the Committees on Exchange of the American Bankers Association and the State Bank Division and as president of the National and State Bankers Protective Association, I believe that due publicity should be given to the recent decision of the Supreme Court of the United States in the case of the American Bank & Trust Company, *et al., vs.* the Federal Reserve Bank of Atlanta. The decision and its significance are embodied in a special article by L. R. Adams published elsewhere in the JOURNAL. The crux of the whole decision is in the closing sentence, wherein Judge Holmes stated that "the United States did not intend by the statute to sanction this sort of warfare upon legitimate creatures of the states." The decision is of vital interest to the 30,000 or more banks of the United States and to business in general. This subject has been the source of discussion for a long time and the methods employed by the Federal Reserve Board in order to force their policies were really the greatest bone of contention. The severe criticisms of the methods employed by the Federal Reserve Board and banks to force par collections are absolutely and clearly vindicated by the decision of the highest court in the country.

It is the sense of the Committees on Exchange—the Committee of Five of the American Bankers Association and the Committee of Seven of the State Bank Division—that it should be optional with banks to charge for the service of remitting for checks. With a desire of solving this annoying problem to the satisfaction of all and yet along sound economic lines, these committees think best to lend their efforts toward having the entire subject matter again submitted for national legislation where the national banks, state member banks and non-member banks might once for all be heard. This course of action was deemed advisable, especially because at a hearing of bankers before the Federal Reserve Board in Washington in May, 1920, the Governor of the Board, Mr. W. P. G. Harding, stated, "the par clearance is not an essential feature of the Federal system," and added in a letter to the chairman of the Banking Committee of the House, "that it is important, if possible, to have the attitude of Congress toward the Federal reserve par collection system made clear beyond any possible doubt, and therefore asks that your committee (Congress) give all interested parties a hearing, both those who are opposed to the present system and those who favor its continuation and completion."

Bad Bonds

Superintendent M. V. Henderson, Jr., of the State Banking Department of Iowa, is making commendable efforts to prevent the sale of weak or fraudulent securities. One of the worst schemes in recent years has been the sale of so-called "collateral trust bonds" of the Chicago, Rock Island and Pacific *Railroad* Company of Iowa under the representation that they are bonds of the Chicago, Rock Island and Pacific *Railway* Company. In this connection President J. E. Gorman of the Chicago, Rock Island and Pacific Railway Company has issued the following warning:

"We have recently received reports of persons being victimized through the purchase of the 4 per cent. bonds, due 2002, of CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY of Iowa, under the impression that they are bonds of this company. THE CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY is the same operating railway company which, with its predecessors, has been operating in Illinois and other states since 1847. It has no interest in, or connection with, the now defunct Chicago, Rock Island and Pacific Railroad Company of Iowa, which was a corporation formed in 1902 and at one time acquired a large amount of the shares of stock of the Chicago, Rock Island and Pacific Railway Company. The 4 per cent. bonds of the said Iowa company were secured by a trust agreement, dated August 1, 1902, made by the railroad company to Central Trust Company of New York as trustee. The bonds were payable according to their terms on November 1, 2002. They were called 'collateral trust bonds.' Their subsequent history is as follows:

"1. On May 1, 1914, the railroad company defaulted in the payment of interest due on the bonds on that date, and in a suit brought by the trustee under the trust agreement, the District Court of the United States made a decree of foreclosure and sale on October 10, 1914.

"2. On January 6, 1915, the said court confirmed the sale and ordered that out of the net proceeds of the sale the sum of $98.50 be paid on each $1,000 bond having the May 1, 1914, coupon attached and directed that a notation of such payment be made upon each bond and coupon on which the payment should be made. The court also decreed that *all other coupons have become and are void.*

"3. On June 27, 1916, the court ordered that the further sum of $8.50 be paid on each $1,000 bond having the May 1, 1914, coupon attached, and directed that notation of payment thereof be made upon each bond and coupon upon which such payment should be made.

"4. On November 21, 1918, the court ordered that the further sum of 66⅔ cents be paid on each $1,000 bond having the May 1, 1914, coupon attached, and directed that notation of payment thereof be made upon each bond and coupon upon which such payment should be made.

"We believe that no other payments will be made, and that the collateral trust bonds are now practically worthless. On account of the similarity of the name of the defunct company to this company many persons have been defrauded through unscrupulous negotiation of these worthless bonds, and we wish to warn all persons against the purchase or negotiation of any bond of the above issue bearing the rubber stamp notation of the above stated payments, or of any coupons belonging thereto. All bonds issued by the Chicago, Rock Island and Pacific Railway Company bear its correct corporate name in full."

New Trust Law in Utah

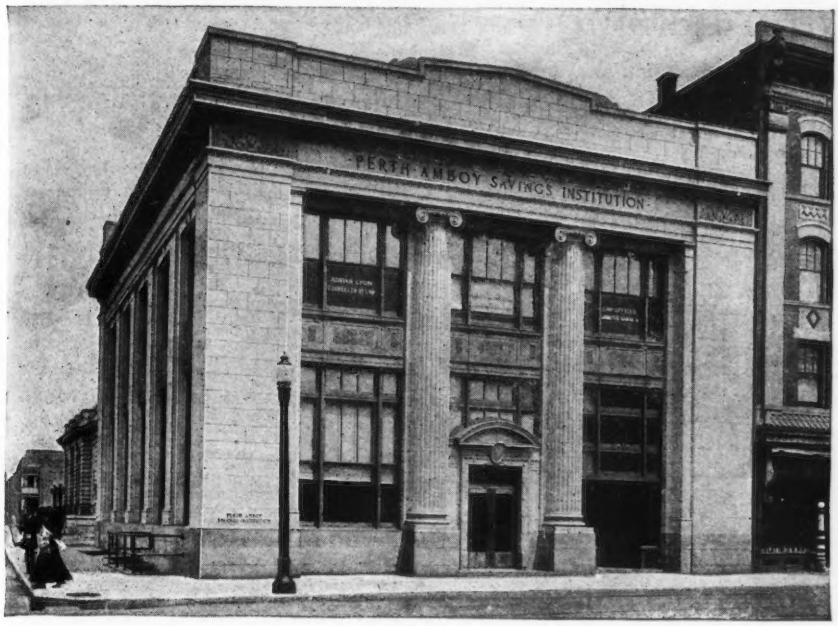
The state of Utah has adopted a law that allows state banks with a capital of $100,000 to engage in the trust business, a right heretofore reserved for national banks and trust companies. The new law provides that commercial banks shall have authority "to act as assignees, agents, receivers, guardians of the estates of minors and incompetent persons, executors and administrators, registrars of stocks and bonds, and to execute trusts of every description not inconsistent with law." The limit was placed at $100,000 capital for the commercial banks that may take advantage of the new law because it was not thought wise to permit the smaller banks to impair their stability and capital by engaging in too many lines. The capital of the banks is held liable for the responsibilities assumed in the trust line, hence no bond is required of the bank for the performance of its duties under the trust provision.

Banking Confined to Banking Offices

Superintendent George V. McLaughlin of the New York State Banking Department has ordered the discontinuance of the practice of certain banks and trust companies in sending messengers for deposits and delivering pay-rolls by messengers. Superintendent McLaughlin declares that such practices are a violation of the State Banking Law, which provides that "No bank, or any officer or director thereof, shall transact its usual business of banking at any place other than its usual place of business."

New Bank Supervisor

In the state of Minnesota Hon. S. B. Duea has been appointed Superintendent of Banks, to succeed Hon. F. E. Pearson.



PERTH AMBOY SAVINGS INSTITUTION
PERTH AMBOY, N. J.
HOLMES & WINSLOW, Architects
Speckled Gray Terra Cotta
Matt Green Terra Cotta

When a STRANGER *comes to* YOUR TOWN

A STRANGER settles in your town. One of his first moves is to open an account in one of the local banks. He knows little or nothing of their respective merits. What determines his choice? Unconsciously he is drawn to the bank the external appearance of which bespeaks strength and security.

Look at the Perth Amboy Savings Institution pictured above. The impressive columns, the window curtain walls of darker shade, the strong piers—all of Terra Cotta—combine to give it an appearance of solidity and strength. Such a building cannot help but make the prospective depositor feel that here is a bank of character and reliability.

Proof? We quote from the letter from Mr. Charles K. Seaman, Treasurer of the Perth Amboy Savings Institution:

> "The growth of the Institution since we occupied our present quarters has been so great we attribute a large part of it to the drawing power of the building itself, and we feel certain our ideals are reflected upon the community where our affairs are located."

Regarding the architectural beauty of this Terra Cotta building, Mr. Seaman says:

> "The structure has been much admired and sets a standard which we hope to see followed by others who may build near us."

Because it so combines utility with beauty Terra Cotta answers the banker's requirements most successfully. Made in either plain or moulded form, Terra Cotta can be used for both plain surfaces (or ashlar) and the ornamental details which so deftly bestow upon a building the distinctiveness that sets it off from its neighbors.

Is *your* bank attracting depositors because of its appearance? Is *your* bank an architectural symbol of strength and reliability? Let us send you a copy of our new brochure, "The Bank," which shows some of the most attractive banks in the country. Another brochure, "Terra Cotta Defined," tells by text and photographs not only what Terra Cotta is but what it means to any owner or tenant. Write today to **National Terra Cotta Society, 1 Madison Avenue, New York, N. Y.**

TERRA COTTA

Permanent *Beautiful* *Profitable*

Membership Changes

REPORTED FROM APRIL 26, 1921, TO MAY 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Alabama	Bessemer	United States Savings Bank changed to City National Bank.
	Boaz	Farmers and Merchants Bank changed to National Bank of Boaz.
Arizona	Pima	Bank of Pima changed to Arizona Trust and Savings Bank.
	Somerton	E. G. Caruthers State Bank changed to Caruthers State Bank.
Arkansas	Buckner	Lafayette County Bank closed.
	Hunter	Bank of Hunter closed.
	Monticello	Drew County Bank changed to Drew County Bank and Trust Company.
	Stuttgart	Bank of Stuttgart and Trust Company succeeded by Arkansas County Bank.
California	Brentwood	Bank of Brentwood changed to Bank of Antioch.
	Calexico	Calexico National Bank merged with First National Bank.
	Elsmore	Consolidated Bank changed to First National Bank.
	Huntington Park	Bank of Huntington Park changed to National Bank of Huntington Park.
	Pasadena	Central Bank changed to Central National Bank.
	San Francisco	French American Bank of Savings changed to French American Bank.
Colorado	Limon	Limon State Bank changed to Limon National Bank.
	Sterling	Farmers National Bank closed.
Connecticut	New Haven	Peoples Bank and Trust Company purchased by Union and New Haven Trust Co.
	Shelton	Shelton Bank and Trust Co. closed.
Delaware	Frederica	First National Bank changed to Delaware Trust Company.
Georgia	Decatur	Bank of Decatur changed to Decatur Bank and Trust Company.
	Dublin	Dublin and Laurens Bank merged with First National Bank.
	Montezuma	Lewis Banking Company closed.
	Vidalia	Bank of Vidalia consolidated with Citizens Bank of Vidalia.
Idaho	Bellevue	Bellevue State Bank changed to Bellevue Bank and Trust Company.
	Burley	Burley State Bank closed.
	Burley	Bank of Commerce closed.
	Cœur d'Alene	Cœur d'Alene Bank and Trust Co., closed.
	Grangeville	Grangeville Savings and Trust Company, closed.
	Kamiah	State Bank of Kamiah closed.
	Kooskia	State Bank of Kooskia succeeded by Citizens State Bank.
Illinois	Antioch	Bank of Antioch changed to Brook State Bank.
	Baldwin	Bank of Baldwin changed to Baldwin State Bank.
	Beaverville	H. Lambert & Son, Bankers, changed to Beaverville State Bank.
	Bismarck	Farmers & Merchants Bank changed to Farmers & Merchants State Bank.
	Bradford	Bradford Exchange Bank changed to Bradford Exchange State Bank.
	Broadlands	Bank of Broadlands changed to First State Bank.
	Browns	American Exchange Bank changed to Brown's State Bank.
	Buda	Lindner & Boyden, Bankers, changed to Lindner and Boyden Bank.
	Burgess	Farmers Bank changed to Farmers State Bank.
	Carlinville	Farmers & Merchants Bank changed to Farmers & Merchants State Bank.
	Chebause	Chebause Bank merged with Bank of Chebause.
	Chester	Buena Vista Bank changed to Buena Vista State Bank.
	Chicago	Dressel Commercial & Savings Bank closed.
	Clifton	R. R. Weentz & Sons changed to Farmers State Bank.
	Colfax	J. W. Arnold & Company changed to Arnold State Bank.
	Collison	Peoples Bank changed to Peoples State Bank.
	Delavan	Baldwin Bank changed to Baldwin State Bank.
	Donovan	Bank of Donovan changed to State Bank of Donovan.
	Elkhart	Elkhart Bank changed to Elkhart State Bank.
	Fairmont	Portersfield's Bank changed to Portersfield's State Bank.
	Franklin	Franklin Bank changed to Franklin State Bank.
	Geff	Farmers & Merchants Bank changed to State Bank of Geff.
Illinois	Grafton	Grafton Bank changed to Grafton State Bank.
	Harmon	Harmon Bank changed to Harmon State Bank.
	Holcomb	Exchange Bank changed to Holcomb State Bank.
	Ingraham	Bank of Ingraham changed to Ingraham State Bank.
	Isabel	Isabel Bank changed to Isabel State Bank.
	Jacksonville	Dunlap, Russel & Co., closed.
	Jacksonville	F. G. Farrell & Co. changed to Farrell State Bank.
	Kankakee	Segria Bros. Bank merged with American State & Savings Bank.
	Laura	Bank of Laura changed to Laura State Bank.
	Lena	Citizens Bank changed to Citizens State Bank.
	Louisville	Farmers & Merchants Bank changed to Farmers & Merchants State Bank.
	Lena	Lena Bank changed to Lena State Bank.
	Loda	A. Goodell & Sons Co. changed to State Bank of Loda.
	Lovington	Hardware Bank changed to Hardware State Bank.
	McHenry	Hay Banking Company changed to Fox River Valley State Bank.
	Meredosia	Farmers & Traders Bank changed to Farmers & Traders State Bank.
	Milford	Citizens Bank changed to Citizens State Bank.
	Mt. Erie	Farmers Bank changed to Mt. Erie State Bank.
	Moweaqua	M. S. Ayars & Company changed to Ayars State Bank.
	Murrayville	Murrayville Bank changed to Murrayville State Bank.
	Oakdale	Oakdale Farmers Bank changed to Oakdale State Bank.
	Oakwood	Bank of Oakwood changed to State Bank of Oakwood.
	Ohlman	Farmers Bank changed to Ohlman State Bank.
	Olive Branch	Olive Branch Bank changed to Olive Branch State Bank.
	Omaha	Bank of Omaha changed to State Bank of Omaha.
	Panama	Bank of Panama changed to State Bank of Panama.
	Pearl City	Pearl City Banking Company changed to Pearl City State Bank.
	Pleasant Hill	Citizens Bank changed to Citizens State Bank.
	Pocahontas	Bond County Bank changed to Bond County State Bank.
	Prophetstown	Bank of Prophetstown closed.
	Prophetstown	Citizens Bank changed to Citizens State Bank.
	Rantoul	Commercial Bank changed to Commercial State Bank.
	Rardin	Rardin Bank changed to Rardin State Bank.
	Richmond	Bank of Richmond changed to State Bank of Richmond.
	Ringwood	Bank of Ringwood changed to Ringwood State Bank.
	Rio	Bank of Rio changed to Rio State Bank.
	Rosemond	Peoples Bank closed.
	Sadorus	Bank of Sadorus changed to Sadorus State Bank.
	Sheldon	Bank of Sheldon changed to State Bank of Sheldon.
	Sparland	Sparland Bank changed to Sparland State Bank.
	Stockland	Bank of J. Sumner & Sons changed to Sumner State Bank.
	Stockton	Bank of Stockton changed to State Bank of Stockton.
	Stockton	P. M. Rindesbacher & Company changed to Peoples State Bank.
	Table Grove	Farmers Bank changed to Farmers State Bank.
	Taylorville	John B. Colegrove & Company changed to John B. Colegrove & Company State Bank.
	Thawville	Skeels & Thrasher changed to Thawville State Bank.
	Thomson	Thomson Bank changed to Thomson State Bank.
	Tilden	Bank of Tilden changed to First State Bank.
	Troy Grove	Farmers Bank changed to Troy Grove State Bank.

Illinois	Tuscola	Farmers & Traders Bank changed to Farmers State Bank.
	Virgil	Bank of Virgil changed to Virgil State Bank.
	Washington	A. G. Danforth & Company changed to Danforth Banking Co.
	West Union	Farmers & Merchants Bank changed to First State Bank.
	Wheeler	Bank of Commerce changed to State Bank of Commerce.
	White Hall	Peoples Bank changed to Peoples State Bank.
	Williamsville	Williamsville Bank of J. F. Prather & Company changed to Williamsville State Bank.
	Woodland	Woodland Bank changed to Woodland State Bank.
	Xenia	Farmers & Merchants Bank changed to Xenia State Bank.
		Orchard City Bank changed to Orchard City State Bank.
Indiana	Edinburg	Thompson Bank changed to Thompson State Bank.
	Elkhart	Citizens Trust Company consolidated with St. Joseph Valley Bank.
		Liberty Trust Company consolidated with St. Joseph Valley Bank.
	Mentone	Farmers Bank changed to Farmers State Bank.
	Montezuma	Citizens Bank changed to State Bank of Montezuma.
	New Harmony	New Harmony Banking Company changed to New Harmony Bank and Trust Company.
Iowa	Eagle Grove	Merchants National Bank changed to First National Bank.
	Loscomb	State Savings Bank changed to Loscomb State Savings Bank.
	Marcus	First National Bank closed.
Kansas	Coffeyville	Peoples State Bank closed.
	Homewood	Homewood State Bank changed to Peoples State Bank.
	Kamorado	Kamorado State Bank taken over by First National Bank.
Louisiana	Eunice	American Bank & Trust Company closed.
	Pattison	Citizens State & Savings Bank closed.
	Sunset	Bank of Sunset changed to Bank of Sunset & Trust Co.
Massachusetts	Boston	Cosmopolitan Trust Company closed.
	Boston	Fidelity Trust Company consolidated with Liberty Trust Company.
Michigan	Breckenridge	First State Savings Bank consolidated with Farmers State Bank.
	Milford	Farmers Savings Bank changed to Farmers State Savings Bank.
Mississippi	Laurel	Commercial Bank and Trust Company changed to Commercial National Bank and Trust Company.
	Mathiston	Merchants & Farmers Guarantee Bank changed to Merchants & Farmers Bank.
	Shelby	Shelby Bank changed to Shelby Bank & Trust Co.
Missouri	Cabool	First National Bank converted into Citizens Bank of Cabool.
	Kearney	Kearney Bank changed to Kearney Trust Co.
	Mercer	Mercer State Bank merged with Farmers & Merchants Bank.
	Wakenda	Bank of Wakenda closed.
Montana	Absorohee	Absorohee State Bank merged with Stillwater Valley National Bank.
	Brockway	First State Bank closed.
Nebraska	Chappell	First National Bank closed.
	Long Pine	Brown County Bank closed.
	Merriman	American State Bank closed.
New Jersey	Belvidere	Warren County National Bank changed to Warren County Trust Company.
New Mexico	Columbus	Columbus State Bank closed.
	Maxwell	Farmers Bank & Trust Co. changed to Farmers & Merchants State Bank.
New York	Brooklyn	Hamilton Trust Co., Brooklyn, merged with Metropolitan Bank, New York, as Metropolitan Bank, Hamilton Branch.
	East Hampton	Osborne Bank changed to Osborne Trust Company.
North Carolina	Avondale	Haynes Bank, Henrietta, N. C., now located at Avondale.
	Fairmount	Peoples Bank & Trust Company closed.
	Tabor	Bank of Tabor closed.
North Dakota	Beach	Beach State Bank closed.
	Donnybrook	Donnybrook State Bank closed.
	Edgeley	Citizens State Bank closed.
	Hannah	Citizens State Bank consolidated with State Bank of Hanna as State Bank of Hannah.
	Hatton	Peoples State Bank closed.
	Havelock	Farmers State Bank closed.
	Leith	Peoples State Bank closed.
	Milton	State Bank closed.
	Mohall	Mohall State Bank closed.
	New England	Security State Bank closed.
	New Rockford	Bank of Rockford closed.
	New Salem	Union Farmers State Bank closed.
	Towner	First National Bank closed.
	Williston	Williston State Bank closed.
Ohio	Cincinnati	Citizens Bank & Savings Co. changed to Citizens Bank & Trust Company.
	Cincinnati	Unity Banking & Savings Co. taken over by Provident Savings Bank & Trust Company.
	Kenmore	Citizens Banking Co. merged with Kenmore Banking Company.
	South Charleston	Houston Bank closed.
Oklahoma	Boswell	State Exchange Bank closed.
	Fallis	First Bank changed to Guaranty Bank
	Jenks	Bank of Jenks succeeded by First State Bank.
	Morris	First National Bank changed to Morris National Bank.
	Talihina	Farmers & Merchants State Bank changed to Guaranty State Bank.
	Tulsa	West Tulsa State Bank, West Tulsa, should be Tulsa.
Oregon	Harrisburg	Farmers & Merchants State Bank closed.
Pennsylvania	Allentown	Penn Counties Trust Co. changed to Penn Trust Co.
	Meadville	Commonwealth Bank merged with Crawford County Trust Co.
South Carolina	Bennettsville	Mutual Savings Bank closed.
South Dakota	Hamill	Roseland State Bank changed to Hamill State Bank.
Tennessee	Nashville	One Cent Savings Bank & Trust Company changed to Citizens Savings Bank & Trust Company.
Texas	Cooper	Farmers National Bank closed.
	Eastland	Guaranty State Bank merged with First State Bank.
	Ennis	Peoples State Bank merged with Ennis National Bank.
	Farmersville	Farmers & Merchants National Bank merged with First State Bank as Farmers & Merchants State Bank.
	Hermleigh	First State Bank of Hermleigh, Foch, Texas, changed to First State Bank, Hermleigh.
	Hearne	First National Bank closed.
	Kosse	Merchants & Farmers Bank closed.
	Houston	Houston Trust & Savings Bank in Receivers hands.
	Nocona	Nocona National Bank closed.
	Penelope	First State Bank closed.
	Sipe Springs	First National Bank closed.
	San Antonio	Army Bank of Fort Sam Houston closed.
	Tomball	First State Bank closed.
	West	West Bank changed to West State Bank.
	Woodville	Tyler County State Bank closed.
Utah	Ogden	Pingree National Bank changed to National Bank of Commerce.
Vermont	Barre	Barre Savings Bank and Trust Company closed.
Washington	Seattle	North Side State Bank closed.
West Virginia	Charleston	Glenwood Bank succeeded by Security Bank & Trust Co.
	Wheeling	South Side Bank changed to South Side Banking & Trust Company.
Wyoming	Lusk	Bank of Lusk closed.
	Meeteetse	State Bank closed.
Venezuela	Puerto Cabello	Royal Bank of Canada closed.

New and Regained Members from April 26 to May 25, 1921, Inclusive

Alabama

South Baldwin State Bank, Foley 61-502.

Arizona

Bank of Clemenceau, Clemenceau 91-140.
Cooperative Bank & Trust Co., Tucson 91-142.

California

Valley Bank, Fresno 90-97.
Los Angeles Trust & Savings Bank, Huntington Beach 90-952.

California—Continued

Citizens Trust & Savings Bank, Broadway Branch, Los Angeles 16-14.
Citizens Trust & Savings Bank, Pico-Figueroa Branch, Los Angeles 16-14.
Los Angeles Trust & Savings Bank, Main St. Branch, Los Angeles 16-54.
Coachella Valley State Bank, Thermal 90-953.

Colorado

Commerce State & Savings Bank, Denver 23-86.
First State Bank, Nederland 82-344.

Florida

Cedar Key State Bank, Cedar Keys 63-247.

Georgia

Albany Trust & Banking Co., Albany 64-94.
First National Bank, Lawrenceville 64-328.

Idaho

Valley State Bank, Post Falls 92-195.

Illinois
Binga State Bank, Chicago 2-307.
Guarantee Trust Co., Chicago.

Kansas
Kansas State Bank, Tribune 83-1391.
Federal Land Bank, Wichita.

Kentucky
Bank of Barlow, Barlow 73-428.
Blackford Bank, Blackford 73-439.
Bank of Crofton, Crofton 73-474.
Merchants & Miners Bank, Edgartown, W. Va. P. O., Freeburn 73-720.
Bank of Lewisport, Lewisport 73-535.
First Standard Bank, Louisville 21-61.
Bank of Lovelaceville, Lovelaceville 73-539.
Bank of Lowes, Lowes 73-540.
Poole Deposit Bank, Poole 73-581.
Sebree Deposit Bank, Sebree 73-243.

Louisiana
Franklin State Bank & Trust Co., Baskin 84-379.
Bank of Benton, Benton 84-147.
Bank of Cotton Valley, Cotton Valley 84-167.
Homer Trust & Savings Bank, Haynesville 84-386.
Olla State Bank, Olla 84-222.
Planters Bank & Trust Co., Ville Platte 84-367.

Maryland
Baltimore Trust Co., Highlandtown Branch, Baltimore 7-65.
Baltimore Trust Co., State Bank Branch, Baltimore 7-65.

Michigan
Northern Title & Trust Co., Bay City 74-40.

Missouri
Miners Bank, Carterville 80-199.
Bank of Dearborn, Dearborn 80-717.
Bank of Greenwood, Greenwood 80-1015.
Holcomb Liberty Bank, Holcomb 80-1685.
Argyle State Bank, Kansas City 18-42.
Waldo State Bank, Kansas City 18-39.
Lawson Bank, Lawson 80-660.
Ravanna Bank, Ravanna 80-1178.
Security Bank, Slater 80-1329.
Farmers & Merchants Bank, Springfield 80-18.
Farmers Bank, Spruce 80-1597.
Citizens Bank, Wentzville 80-691.

Nebraska
American State Bank, Kearney 76-43 (regained).
Petersburg State Bank, Petersburg 76-1277.

New York
Equitable Eastern Banking Corporation, 37 Wall St., New York 1-323.
Metropolitan Bank, Madison Ave. Branch, New York 1-44.

New York—Continued
Metropolitan Bank, Seventh Ave. Branch, New York 1-44.
Painted Post National Bank, Painted Post 50-1037.
Wheatley Hills National Bank, Westbury 50-1020.

North Carolina
Farmers & Merchants Bank, King 66-729.
Bank of Midland, Midland 66-744.
Commercial Bank, Rutherfordton 66-256 (regained).
Citizens Bank & Trust Co., Winston-Salem 66-743.

Ohio
Reliance Trust Co., Cleveland 6-92.

Oklahoma
Guaranty State Bank, Checotah 86-1172.
Union National Bank, Okmulgee 86-1181.

Oregon
Bank of Vernonia, Vernonia 96-307.

Pennsylvania
Beech Creek State Bank, Beech Creek 60-1565.

Pennsylvania—Continued
State Banking Co., McKees Rocks 60-364.
Bank of Matamoras, Matamoras 60-1559.
First National Bank, Nesquehoning 60-1423.
New Kingstown State Bank, New Kingstown 60-566.
Modern Savings & Trust Co., Pittsburgh 8-125.

South Carolina
First National Bank, Bamberg 67-451.
Bank of Johnsonville, Johnsonville 67-541.
Peoples Bank, Moncks Corner 67-554.
Spartan Savings Bank, Spartanburg 67-41.
Bank of West Union, West Union 67-580.

Texas
Security National Bank, Electra 88-2016.
Guaranty State Bank, Graham 88-1926.
Guaranty State Bank, Karnes City 88-2013.

Mexico
Banco de Nuevo Leon, Monterrey, Nuevo Leon.

Mortuary Record of Association Members

REPORTED FROM APRIL 26, 1921, TO MAY 25, 1921

Baxter, Mrs. L. C., vice-president Buxton Savings Bank, Buxton, Monroe Co., Iowa.

Bayard, Maurice F., vice-president Liberty National Bank, New York, N. Y.

Dowling, M. J., president Olivia State Bank, Olivia, Minn.; chairman Committee of Five, A. B. A., and Committee of Seven of State Bank Division.

Filer, E. G., president Manistee Company Savings Bank, Manistee, Mich.

Gehring, L. C., president Prudential Savings Bank, Brooklyn, N. Y.

Greene, Warren A., president the Amwell National Bank, Lambertville, N. J.

Harris, J. W., vice-president Commercial National Bank and High Point Savings and Trust Company, High Point, N. C.

Johnson, George J., president City Trust Company, Cleveland, Ohio.

Kaighn, Joseph, president Moorestown Trust Company, Moorestown, N. J.

Lovejoy, John L., president First National Bank, Greenville, Texas.

McReynolds, J. F., president American National Bank, Paris, Texas.

Packard, Edwin, president Franklin Trust Company, Brooklyn, N. Y.

Smith, Edward H., vice-president Chemical National Bank, New York City.

Strong, Thomas A., cashier the Farmers and Merchants State Bank of Ryegate, Mont.

Thorpe, L. O., cashier Kanijohi County State Bank, Hillmar, Minn.

Willard, Henry Seeley, president First National Bank, Wellston, Ohio.

Wilson, C. E., president Bank of Crewe, Crewe, Va.